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United Nations Office for Project Services

Annual report of the Executive Director on the activities of the United Nations Office for Project Services*

Summary

The present report is submitted pursuant to Executive Board decision 94/32 of 10 October 1994. The report provides an overview of performance in 2003 against financial targets in the UNOPS business plan and reviews UNOPS activities during the year.

The year 2003 was the first in a multi-year transition and recovery phase for UNOPS. A new Executive Director assumed his functions on 1 August 2003. In 2003, UNOPS recorded income exceeding recurring and non-recurring administrative expenditures, thereby adhering to the self-financing principle of the organization. The organization invested in the new UNDP/UNFPA/UNOPS enterprise resource system known internally as ATLAS and embarked on an overall change management process.

Pursuant to Executive Board Decisions 2003/27 and 2004/3, the Executive Director reports on the updated 2004-2005 budget estimates and reports on consultations concerning the vision, mandate and governance of UNOPS. Internal oversight issues are addressed in DP/2004/28.

Elements of a decision

The Executive Board may wish to:

(a) take note of the Annual Report of the Executive Director, including the report on the 2003 year-end financial performance and the revision to the 2004-2005 budget projections; and

(b) endorse the proposal of the Executive Director to extend the UNOPS role in the provision of services for infrastructure and public works.

* The collection of data required to present the Executive Board with the most current information has delayed submission of the present document.

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I. Introduction

1. The present report is submitted in compliance with Executive Board decision 94/32 of 10 October 1994, in which the Executive Director of the United Nations Office for Project Services (UNOPS) was requested to report annually on the activities of UNOPS.

2. Pursuant to Executive Board decision 95/1 of 10 January 1995, the present report has been reviewed by the Management Coordination Committee (MCC).

3. At the first regular session of the Executive Board in 2004, the Executive Director submitted to the Executive Board a report on the implementation of the UNOPS budget 2003 together with the projected income and expenditure figures for 2003, including the level of the operational reserve (document DP/2004/6). The present report complements the information provided to the Executive Board in document DP/2004/6, assesses performance against targets approved by the Board in June 2002 (DP/2002/CRP.10) and provides an update on the 2004-2005 budget estimates.

4. At the first regular session of the Executive Board in 2004, the Executive Director presented a report on the implementation of the UNOPS change management process (DP/2004/7). Pursuant to Executive Board decision 2004/3, the Executive Director reports on progress concerning the change management process, client consultations, and the vision, mandate and governance of UNOPS.

II. Implementation of 2003 budget and 2003 financial performance

A. Summary of 2003 performance

(See annex.)

5. The year 2003 was the first in a multi-year transition and recovery phase for the United Nations Office for Project Services (UNOPS, or 'the organization').The new Executive Director assumed his functions on 1 August 2003. In this multi-year effort, the organization set out to strengthen its financial condition, improve its competitive positioning, and properly align people, processes, and technologies to acquire new business and meet client and market needs cost-effectively and efficiently.

6. The UNOPS business model is highly sensitive to margin management. In 2003, margins on project portfolio services continued to decline as clients, many of whom are also under cost reduction pressure from their funding sources, pushed UNOPS to deliver its services more efficiently and at a lower cost.

7. In 2003, UNOPS expenditures totaled $47.8 million. UNOPS was able to reduce and stabilize its costs, while effectively meeting client needs, by maintaining its 2002 cost-cutting measures. These measures also implied further deferring and/or reducing information and technology investments and deferring operating system investments and staff training.

8. To position UNOPS for long-term viability, management must make a series of strategic investments in 2004 and 2005. In summary, the 2003 business and financial

results are in line with the UNOPS projections submitted to the Executive Board in January 2004.

B. Management discussion and analysis of UNOPS operations in 2003

Business acquisition

9. For fiscal year 2003, business acquisition is defined as projects, loans and services agreements signed and approved between January 1, 2003 and December 31, 2003. UNOPS is keenly aware that acquiring the 'right' new business in the 'right' way is critical for the organization's long-term viability. However, the business acquisition process is challenging, since: (a) project, loan and advisory services acquisition and delivery are cyclical[1] and can be random (as in the case of crisis events); (b) the portfolio acquisition cycle can be relatively long; (c) a number of United Nations-system partners still prefer to maintain in-house service capacity rather than outsourcing to an entity such as UNOPS; (d) barriers to exit and switching costs, for both UNOPS and its clients, are very high; (e) agreement or contract periods are relatively long; and (f) client decision-makers are shifting from headquarters-based personnel to field-based personnel.

Analysis of ongoing operations

Delivery

10. In 2003, UNOPS project delivery remained on track. Delivery increased by $6.2 million, or 1 per cent over an original target of $484.4 million. The 1 per cent increase is remarkable given the rebuilding and transition initiatives of the organization and reflects positively on the strong commitment and focused efforts of both clients and staff. 2003 actual project delivery of $490.6 million was $5.5 million higher than 2002 actual project delivery of $485.1 million.

11. In schedules 1, 2, and 3, UNOPS 2003 delivery is shown by client source of funds, commodity, and geographic perspective, respectively.

Schedule 1

2003 project delivery by client source of funds
(in $ millions)

Client source of funds	Amount	Percentage
UNDP-funded	$ 79.3	16%
UNOPS as implementing agent	$ 25.5	5%
Other United Nations organizations	$197.3	40%
Trust funds		
Montreal Protocol	$ 8.0	2%
Global Environmental Facility	$ 34.9	7%
United Nations Capital Development Fund	$ 1.6	0%
Other trust funds	$ 37.3	8%
Subtotal trust funds	$ 81.8	17%

[1] Project funding for most UNOPS clients is based on regular one- to four-year financing cycles. UNOPS must therefore manage its key clients' funding cycle proactively during the business acquisition process.

Management service agreements		
Japan*	$ 44.8	9%
World Bank	$ 9.4	2%
Other	$ 52.5	11%
Subtotal management service agreements	$105.7	22%
Total	$490.6	100%

**These funds are derived from the Japanese procurement programme. This amount will decline in future years.*

Schedule2
2003 project delivery by commodity type
(in $ millions)

Commodity	Amount	Percentage
Equipment and goods	$118.2	24%
Personnel contracting services	$136.0	28%
Services and works contracting	$214.2	44%
Training services	$ 15.7	3%
Miscellaneous activities	$ 6.5	1%
Total	$490.6	100%

Schedule 3
2003 project delivery by geographic region
(in $ millions)

Geographic region	Amount	Percentage
Africa	$101.5	21%
Latin America and the Caribbean	$ 59.2	12%
Asia-Pacific	$ 85.7	18%
Europe and the CIS	$ 74.0	15%
Arab States	$119.3	24%
Global and interregional programmes	$ 50.9	10%
Total	$490.6	100%

Given the dollar amount of donor funds directed to Africa and well-known constraints in absorptive capacities, UNOPS believes that significant expansion opportunities exist in Africa. Similarly, UNOPS intends to expand its portfolio acquisition in Latin America and the Caribbean under the pilot programme, approved by the Executive Board, for direct cooperation with regional and sub-regional banks.

Revenues

12. In 2003, UNOPS generated $66.2 million in total revenues. Actual 2003 revenues exceeded 2003 approved revised revenue estimates (DP/2003/38 and Executive Board decision 2003/26) of $44.5 million. This increase was the result of one-time advisory services for contract amendments that UNOPS was requested to provide under the United Nations Office of the Iraq Programme.

13. The annex, on page 19, is a comparative and common-size statement of revenue, expenditures and changes in fund balances for the years ended December 31, 2003, December 31, 2002 and the biennium ended December 31, 2003. Common size statements are used to draw insights into the performance of differently sized (in terms of assets and revenues) organizations in the same sector or into one organization over time. Project services (or total support costs and fees) continued to provide the largest percentage of total UNOPS revenue ($34.5 million of $66.2 million, or 52 per cent). The percentage of total support costs and fees contributed from various client sources of funds is as follows:

- 21 per cent from management service agreements (MSAs)
- 35 per cent from projects conducted on behalf of other United Nations organizations
- 26 per cent from UNDP projects
- 18 per cent from trust fund projects

14. In general, UNOPS has experienced downward price pressure from its clients. The average fee rate that UNOPS earned from project services has decreased from 7.65 per cent in 2001 to 7.04 per cent in 2003.

15. In 2003, UNDP remained the primary client of UNOPS, accounting for 41 per cent of UNOPS support costs and fee revenue ($14.3 million of $34.5 million). Revenue generated from the loan supervision and administration portfolio – primarily International Fund for Agricultural Development (IFAD) loans – increased from $6.4 million in 2002 to $7 million in 2003. UNOPS continues to be a valued partner of IFAD and other lending institutions because of its acknowledged expertise in loan supervision and disbursements. Interest income remained small and relatively flat over the two-year period spanning 2002 and 2003. A small but steady source of income was generated primarily by sub-leasing space in the Chrysler Building.

Expenditures

16. In 2003, expenditures totaled $47.8 million, or $2.5 million over 2002 actual expenditures. As is typical for a service organization, the majority (60 per cent) of total expenditures relate to staff salaries and benefits.

17. The $27.9 million spent on staff costs in 2003, however, is similar to the amount spent in 2002. Staff costs for the biennium period 2002-2003 ($57.8 million) have declined when compared to the biennium period 2000-2001 ($66.7 million), reflecting the impact of the prior year's staff reduction exercise.

18. Contractual services, equipment, communications, travel and general operating expenses in 2003 equaled $9.2 million. UNOPS paid $5.4 million in reimbursements to UNDP and the United Nations for a range of central and operational support services.

19. The introduction of a single-instance enterprise resource planning system, known internally as Atlas, for five United Nations organizations significantly increased the UNOPS cost base. UNOPS spent $3.1 million, or 7 per cent of its total expenditure base, on conceptual design, gap analysis, detailed design, technical interfaces with legacy systems, testing, conversion, data scrubbing, and training activities. This actual amount was more than twice the budgeted amount of

$1.4 million, which was comprised of $700,000 in payments to UNDP for the system itself and $700,000 in equipment and other contracted services).

20. Finally, in 2003, UNOPS paid $1.7 million as a one-time, lump sum settlement for outstanding reimbursements to the United Nations and UNDP for administrative services and costs.

Gross margins on project services

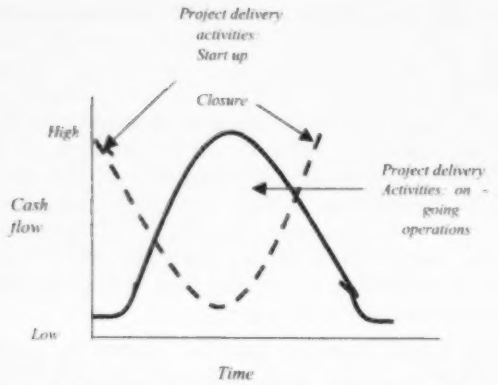
21. Gross margin is typically defined as net revenue less cost of acquisition. The cost of acquisition is the direct cost incurred to deliver the project or service to the client. Direct costs include the salaries and benefits of client delivery and direct marketing personnel and direct information technology (IT), office equipment, telecommunications, occupancy, travel, and other costs. The declining margins are caused by three primary factors: (a) UNOPS service locations (New York, Copenhagen, Rome and Geneva); (b) its pricing methodology for project services; and (c) inefficient, non-technologically enabled work processes.

22. The project services pricing model currently used by UNOPS is highly simplistic. Revenue is equal to a flat, negotiated percentage fee multiplied by the dollar value of project-related expenditures. For example, if the flat fee were 10 per cent and the project-related expenditure were $100,000, UNOPS would earn $10,000. This flat percentage fee remains in effect during the lifetime of the contract and over the life cycle of the project – from start-up through management to project closure. UNOPS receives cash from clients quarterly – when bills are generated.

23. Two significant shortcomings are involved. First, during the start-up and close-down phases of a project, UNOPS cash flows (inflows and outflows) may not be properly matched. During the start-up phase, for example, UNOPS must continue to pay for project delivery personnel salaries, occupancy, travel, and equipment. These UNOPS-funded costs lay the groundwork so that the project can be executed effectively (e.g., mobilize team, generate detailed work plans, and properly set expectations and service agreements with clients). However, no cash inflow is generated by these activities because no procurement activities are conducted. Similarly, during project closure and evaluation, the project delivery personnel tie up loose ends and complete required paperwork – costly activities that do not generate revenue during the time period these activities are conducted.

24. As shown in figure 1, the cash inflows and outflows related to project delivery activities form a bell-shaped curve and an inverted bell-shaped curve, respectively. If total cash is shown on the y-axis and time is graphed on the x-axis, then cash inflow would be a standard bell shaped curve (solid line) and cash outflow would be an inverted bell shaped curve (dotted line).

Figure 1
Cash flow patterns related to project implementation and execution activities



25. The mismatch of cash outflows and cash inflows on a period-by-period basis is not an issue for UNOPS as long as the entire project portfolio is balanced – meaning that positive cash flow projects exceed net negative cash flow projects for each relevant time period. However, the UNOPS portfolio is not balanced, and it currently contains several large, cash-flow negative projects such as Montreal Protocol, which is currently in the closure phase, and the Nile River Basin Project, which is in the start-up phase. Second, this flat fee remains in effect over the lifetime of the contract. Project service contracts range from one to seven years in duration, with an average duration of 3.5 years. While UNOPS personnel costs are affected by two uncontrollable factors, (a) annual United Nations-wide base salary and cost of living adjustments, and (b) exchange rates between the dollar and other currencies; under its current pricing model UNOPS is unable to pass along these cost increases or savings.

26. UNOPS management is aware of this services pricing issue and for the last four years has flagged it as a priority. In fiscal year 2004, UNOPS will examine the project acceptance process and implement more rigorous financial screens. The financial screening process will examine: (a) the 'net present value' of the business versus the 'net present value' of the cost to deliver the business; delivery costs will include business development and acquisition costs as well as direct and indirect delivery costs; (b) the lifetime value of the client – its entire business relationship history; and (c) the diversity of the overall book of business from a client or source of funds, geographic considerations; service type; and the execution risk perspective. Additionally, UNOPS management will investigate the possibility of pre-billing its clients. This 'front-loading' would more equitably distribute the working capital 'float' that UNOPS must currently finance.

27. The third factor that has caused UNOPS project service margins to decrease is the organization's often ineffective and non-technologically enabled work processes. Others result from a failure to examine policies and processes over which the organization has control to determine whether these processes are value adding, value neutral or value destroying from both a client perspective and an organizational bottom-line perspective. Historically, UNOPS information technology systems were often neither enabling nor state-of-the-art. To streamline

and in some cases eliminate specific non-value adding, non-risk mitigating work steps, UNOPS management plans to revise its current financial rules and regulations and re-engineer its processes to better leverage the Atlas system.

C. Fund balance: operational reserve and working capital

28. As of December 31, 2003, UNOPS had a fund balance of $23.2 million. This amount was composed of $6 million in operational reserve and $17.2 million in working capital.

III. Analysis of UNOPS year-to-date performance for the four months ended 30 April 2004

Business acquisition, delivery, revenue and expenditure to date

29. UNOPS acquired $147 million in new business during the first four months of 2004. Delivery on existing portfolios has been below the expected target and stands at $138 million. This delivery shortfall relates to a considerable extent to PeopleSoft/Atlas procurement problems. Currently, UNOPS is experiencing problems creating and dispatching purchase orders and approving purchase orders and vouchers using the automated workflow application.

30. Using as a projection basis for income the average actual fee level of 6.85 per cent generated on project delivery in the first four months of the year, UNOPS estimates that it has earned $9.5 million from project delivery. Currently, because of Atlas system limitations, UNOPS cannot recognize revenue earned monthly. Revenue has been estimated based on project expenditure information extracted from the Atlas commitment control table.

31. The year-to-date expenditures are $12.6 million. To date, UNOPS has incurred approximately $320,400 on Atlas-related activities. These activities relate to staff costs and coordination costs with the other Atlas-implementing agencies. Atlas spending, however, is expected to ramp up considerably in the second half of the year.

IV. Preliminary 2004 budget projections

A. January 2004 projections: underlying assumptions and data quality

32. UNOPS is determined to manage its business better and to satisfy the needs and expectations of an increasingly demanding client base. The existing planning and budgeting reality of UNOPS has been one of forecasting based on extrapolating from historical trends. The underlying information and database can only be described as opaque. Indeed, one objective of senior management for 2004 is to upgrade the UNOPS business planning and forecasting capacity considerably.

33. To understand its business better and provide the Board with complete and accurate data, UNOPS engaged in a time-consuming effort to forecast revenues and

expenditures. Senior management deliberately departed from past practices, which had included business not yet acquired in the overall forecast. The planning benchmark used in prior years – the 7.3 per cent fee rate – was revised downwards to a level of 6.85 per cent, reflecting the actual rate of fees earned since 1 January 2004.

34. The preliminary forecast presented in January 2004 was based on an annual project portfolio size of $485 million, earning income at a rate of 7.3 per cent. The planning and forecast assumptions underlying that forecast have now been revised.

B. Preliminary projections for 2004: a conservative forecast

35. A conservative projection of the 2004 revenue and expenditure data indicates a revised gross project delivery of $429 million. At a revised average income rate of 6.85 per cent, annual revenue generated under the project portfolio would amount to $29.38 million. Additional revenue of $9 million is generated through the IFAD loan portfolio, income derived from rental of Chrysler building premises and other miscellaneous income. The revised total income projection for 2004 thus stands at $38.38 million. This forecast does not take into account business acquisition initiatives now under way, or potential additional income to be derived from further business likely to be generated as a result of the aggressive 2004 business acquisition strategy. Exclusion of this potential income is a significant departure from past UNOPS practice. Recurrent expenditures, exclusive of change management and Atlas-related expenditures, are projected to be $43.67 million. UNOPS senior management is in the process of revising this initially projected expenditure to align expenditure with income.

36. By this conservative projection, 2004 expenditures would exceed revenues by $5.39 million. However, strict curtailment and monitoring of expenditures, combined with further business acquisition generating additional income in 2004, are expected to reduce such a deficit.

37. The UNOPS change plan will remain in place throughout 2004 and into 2005. The change management budget is seen as an investment in the future of UNOPS. The 2004 budget policy for the UNOPS general operating budget will rest on two pillars: (a) enhancing revenue by accelerating business acquisition in a coordinated and focused manner, while simultaneously (b) accelerating delivery. A conservative expenditure policy will be applied. Senior management will pursue containment of the general operating costs. Revenue and expenditure levels of the organization will be reviewed in detail, in an ongoing manner, by the senior management team.

V. Change management programme

38. UNOPS was created as a service provider and general contractor with no substantive mandate. The organization was to draw its principles and values from the Charter of the United Nations, and its operational methodologies from the world of international business. UNOPS change management initiatives will realign and position UNOPS as a client-centred organization that contributes effectively to the realization of (a) the United Nations' overarching mandate; (b) the Millennium

Development Goals (MDGs); and (c) the peace and development agenda. UNOPS strives to be a constructive partner in the United Nations reform process.

39. The UNOPS change plan will be a multi-year effort. Unless target clients are confident that UNOPS is competently managed in the short term and will flourish in the longer term, acquisition opportunities may be lost, employee morale and productivity may decline, and client service levels may decrease.

40. Critical investments in its operating systems, which had been neglected for years, will be re-energized in 2004 and 2005. Over time, the change management budget investments will create the required infrastructure to move UNOPS into a position to increase revenue and reduce and stabilize costs.

A. Update on progress achieved

41. In accordance with the structure reviewed by the Executive Board in its January 2004 session, all UNOPS senior management posts below Executive Director level were advertised, candidates were assessed, and the new leadership team was identified and selected. Members of the new leadership team started assuming their functions on 1 May 2004 and all will be fully on board by 1 August 2004. The new senior management retreat took place from 19 to 25 April. The retreat initiated the process of team building and generated commitment to agreed qualities, standards and values of leadership.

42. Considerable time was spent focusing on client requirements and the quality of UNOPS service delivery, including financial reporting. Specific reviews included:

(a) A client services review of every portfolio across the organization, including the support provided to each portfolio and the income generated from the work;

(b) A corporate services review of the existing functions, decentralization required, and future capabilities needed to more effectively support the business;

(c) A discussion of the realignment of staff and portfolios in the new regional structure;

(d) A detailed review of income and expense budgets; and

(e) Planning for the management and staffing transition.

43. Effective 1 May 2004, the recent mix of thematic and geographic divisions ceased to exist and has been replaced by six client service offices: the Asia and the Pacific office, to be moved from Kuala Lumpur to Bangkok; the Europe, Northern Africa and Western/Central Asia office in Geneva; the Latin America and the Caribbean office to be located in Guatemala City; the Western and Central Africa office in Dakar; the Eastern and Southern Africa Office in Nairobi; and the Global and Interregional Programme office in New York.

B. Change management priorities

44. UNOPS management is committed to spending a significantly greater amount of its time, energy and resources on strengthening the organization's revenue and expenditure forecasting and performance management capabilities.

45. In DP/2004/7, UNOPS management identified four initiatives which were collectively labeled the "change plan for 2004." The four initiatives, estimated to cost $8.4 million, to be financed from UNOPS working capital, are listed below:

(a) Organizational restructuring;
(b) Business development and process improvement;
(c) New systems and technology infrastructure; and
(d) UNOPS cultural alignment.

46. For the remaining six months of 2004, UNOPS senior management will place priority on continuity management. In the medium-term, for fiscal years 2004 and 2005 and most likely beyond, UNOPS proposes to engage in six change management initiatives. These six initiatives, collectively referred to as the UNOPS change management programme, are expected to yield financial results from 2004 to 2007.

The six key initiatives

47. The six key initiatives, together with their cost and expenditure to date, are shown in schedule 4 below.

Schedule 4
UNOPS 2004-2005 change initiatives

Initiative name	Total budgeted cash outflow	Funds expended to date
1. Corporate strategy and operating model	$0.4 million	$0.0 million
2. Process optimization	$0.8 million	$0.0 million
3. Enabling technology modernization and stabilization	$4.7 million	$0.3 million
4. Business acquisition	$1.0 million	$0.3 million
5. Overall programme and communication change management	$1.5 million	$1.2 million
6.Location rationalization and other housekeeping activities	$2.5 million	$0.0 million
Total	$10.9 million	$1.8 million

Corporate strategy and operating model

48. UNOPS has been the object of many reviews. The 2003 independent review was the latest in this series and focused on internal structural, governance, and behavioural issues. However, management believes that the study did not sufficiently address the market position of UNOPS. A critical first task in the change initiative is the focusing and enunciation of the corporate strategy and operating model. UNOPS will report on the definition of these to the January 2005 Executive Board Session.

49. Corporate strategy answers the questions: What business is UNOPS in? What is UNOPS good at? What customer needs does the organization meet? What markets

does it serve (geographic locations, customer segments)? Who are its competitors? How has the nature of competition changed since the inception of UNOPS? How will the future of the development, peacekeeping, peace-building, and humanitarian fields influence the unique role of UNOPS? How are its services different and better from its competitors? Where and how does UNOPS add value? How does it judge and measure its success in financial, customer and employee satisfaction, and operational terms?

50. Once the corporate strategy has been set, an operating model will be created. The operating model will answer the questions: Where should UNOPS be located? Under which rules, regulations, and other parameters should UNOPS operate? What screening criteria (financial, operational, strategic, and risk) and processes should UNOPS use to accept or reject business? How should UNOPS systems be configured? What competencies and skill sets, career development programmes, and employee profiles are needed to best deliver UNOPS services and meet UNOPS client needs?

Process optimization

51. UNOPS must get its workflow processes properly structured and sequenced to deliver on time, on quality, on scope, and on budget. Clients pay UNOPS to tell them how, where, when and on what project money was spent. If UNOPS cannot provide clients with this basic information, UNOPS is not doing its job. Client reporting may be the single most critical factor in determining client satisfaction. Client reporting is a mandatory, contractually obligated service that must be rendered to customers completely, accurately, and in a timely manner. As part of its change management and restructuring effort, UNOPS will focus on improving work processes pertaining to client reporting, imprest accounting, payroll, and general procurement.

Enabling technology modernization and stabilization

52. Due to resource constraints, UNOPS was unable to participate as actively in the Wave 1 rollout of the Atlas system as was both desired and required. In April 2004, UNOPS appointed a full-time Atlas manager. The new manager is working closely with UNDP on an updated, integrated plan for the remainder of the year. Atlas is the UNOPS definitive financial system of record, and the organization is at serious risk if immediate, major investments are not made to ensure alignment of staff with system processes for reporting. The incoming Chief Financial Officer will thus be the business sponsor of Atlas initiatives in 2004. Further, the UNOPS 2004 technology initiatives will involve installation of an upgraded universal e-mail system.

Business acquisition

53. To be financially viable, UNOPS must acquire new business. This initiative strengthens acquisition pipeline management and monitoring discipline and invests in client relationship activities with key emerging clients and markets to generate new business.

Overall programme and communication change management

54. Three critical yet often overlooked components of any change management programme are monitoring, communication, and business case tracking. Has the money spent yielded measurable results in the financial statements? What key

metrics were affected? Are key constituents, employees, suppliers, governing bodies and donors aware of the changes occurring and the results achieved? Were the estimated project budgets in line with actual expenditures? Is the project on schedule? If not, what should be accelerated or dropped? What are the key risk areas, and how is this risk being mitigated?

Relocation rationalization and other 'housekeeping' activities

55. To service its clients effectively, UNOPS has offices in a variety of locations. However, some of these do not logically align with the new, regionally organized UNOPS portfolios, nor are they in close proximity to some of the major clients of UNOPS. By consolidating and rationalizing service locations, UNOPS can reduce its ongoing operating costs by approximately $200,000 in 2004. Specifically, the UNOPS office in Kuala Lumpur will be relocated to Bangkok; the Africa 1 Division (Eastern and Southern) will be consolidated in the Nairobi office; the Latin America and Caribbean operations will be centred in one regional office; and the Western Asia, Arab States and Europe Divisions in New York will be consolidated in Geneva for the present, but will be reviewed again once UNOPS has defined its operating model.

Expenditures to date

56. To date, UNOPS has spent $1.2 million on these change initiatives. Sixty-five per cent, or $780,000, of these total expenditures was spent on overall change management programme development, the recruitment, assessment, selection, and hiring of the new senior management team, and the review and revision of the cost and revenue structure of the organization. $342,000, or 29 per cent, has been spent on acquiring new business (special field missions and client consultations, as well as the implementation facilities UNOPS has established in Liberia and the Sudan, and for Iraq).

C. Continuity management: what will *not* change and why

57. Over the past several years, UNOPS staff have experienced crisis management, uncertainty and increasing performance pressure. While change management is critical to refocus and re-energize UNOPS, *continuity* management is equally important. Staff must know and fully understand what will *not* change and why.

58. To date, staff, governing boards and other interested parties have received what might appear to be conflicting or contradictory messages of the difficulties encountered and positive progress achieved. The messages were given and decisions taken based on the best information available at the time.

59. While not every staff member will be involved in the six key initiatives, all staff will be affected by them. UNOPS must maintain stability while rebuilding efforts continue. The logic of bringing UNOPS close to its clients, of service delivery, cost-effectiveness and consolidated accountability lines will guide our efforts. The organizational restructuring plan is being reconfigured into two phases. Phase 1, to be completed in 2004, will see the realignment and appropriate decentralization of client service offices. The new configuration is composed of five decentralized regional offices and our global office in New York.

60. Decisions on the realignment of corporate services and continued devolution to less expensive cost centres will be taken early in 2005, once existing operations have been stabilized and the early impact of change efforts is reflected in the financial statements. Finally, UNOPS human resources will need to be realigned to better meet the needs of its clients. At the outset, UNOPS is more than the sum of its systems, budgets, and work processes. UNOPS is an organization with highly dedicated staff based both in the field and at headquarters locations. Our staff are an asset to the United Nations system as a whole. Apart from the relocation decisions mentioned above, until existing operations have been stabilized and further analysis conducted, constituents should not expect further radical reconfiguration.

VI. Atlas system issues

61. Five United Nations partners – UNDP, UNOPS, UNFPA, the United Nations Development Fund for Women (UNIFEM), and the United Nations Capital Development Fund (UNCDF) – went live with the new Atlas system on 5 January 2004. The system was intended to provide UNOPS and its implementation partners with functionality that was on a par with the old legacy systems (such as IMIS and Funds Control) *plus* a significant number of new features found in commercially available systems. Wave 1 of Atlas has not yet provided UNOPS with functionality on a par with the prior systems. As a result, UNOPS must maintain its legacy systems to support ongoing statutory and client reporting in 2004.

62. The rollout for Wave 2 of the Atlas system was initially planned for May 2004. The five partner organizations, however, have tentatively rescheduled the Wave 2 rollout for the autumn of 2004 due to technical, process and behaviour challenges and constraints connected with Wave 1. As previously stated, UNOPS was unable to participate as actively in the Wave 1 rollout as was necessary. Since the functioning of the Atlas system is critical for UNOPS, the organization will very actively ensure that both Wave 1 and Wave 2 modules are configured to support its current and future operations adequately.

63. To ensure that the Atlas project receives the necessary management focus and a critical mass of people with the right skill sets, UNOPS senior management has assigned a new, full-time Atlas project manager to support UNOPS implementation. The project manager will systematically help to resolve current issues and ensure that UNOPS can provide timely, integrated financial reports. The lead role had previously been filled by a division chief who had worked on Atlas part-time while continuing to maintain his other full-time duties. The new Atlas manager will work closely with senior management on an updated, integrated plan for the remainder of the year. The incoming Chief Financial Officer will be the sponsor of UNOPS Atlas initiatives in 2004. UNOPS expects that Atlas will continue to require considerable investment in addition to the across-the-board staff time investment required.

VII. Governance and mandate

64. The UNOPS governance and mandate discussion – that is, the role and scope of services provided by UNOPS – cannot be seen in isolation from the overall change management goals pursued. Rather, proposals put forward are an integral

and critically important component of the UNOPS realignment and repositioning strategy.

65. Pursuant to Executive Board decision 2004/3, the UNOPS Executive Director conducted client and stakeholder consultations on the UNOPS vision, mandate and governance. The Executive Director has met with key clients to hear their concerns and ascertain how UNOPS can better meet their needs. Senior management has engaged in preliminary decisions with the United Nations Department of Peacekeeping Operations (DPKO), the United Nations Security Coordinator (UNSECOORD), Global Alliance for Improved Nutrition, the United Nations Human Settlements Programme (UN-HABITAT) and UNFPA on how to deepen and expand existing relationships.

66. Consultations were held with members of the Executive Board and senior officials of UNDP, the World Food Programme (WFP), the Office of the United Nations High Commissioner for Refugees (UNHCR) and other clients, including United Nations Children's Fund (UNICEF), which recently signed an agreement with UNOPS for procurement services coordination. The agreement builds on the recognized comparative advantages of the value-adding institutional elements of the two organizations. UNICEF-UNOPS cooperation is a means by which both organizations can pursue areas of common interest and cooperate to reinforce their contributions to the realization of the MDGs.

67. The UNOPS Executive Director participated in the United Nations Development Group (UNDG) Executive Committee Greentree retreat in January 2004. UNDG requested that UNOPS draft a position paper for the provision of common services. UNOPS views this as an opportunity to promote and contribute to United Nations efforts in the reform and streamlining of operations areas of activity. Additionally, UNOPS could usefully act as an outsourcing facilitator capable of supporting the United Nations in its effective operational response to sudden high surges in demand, by member states, for United Nations operations in crisis and transition countries. With the advent of a new Chief of Procurement, UNOPS expects to explore avenues for closer collaboration and complementarity between IAPSO and UNOPS. Similarly, UNOPS will explore with UNDP and other clients more systematic and innovative service support to clients' own execution modalities.

68. Most recently, UNOPS engaged in client consultations with IFAD. The Executive Director and UNOPS staff working for IFAD portfolios met in Rome from 26 to 29 April 2004 for a four-day workshop, including two days of broad-based consultations with concerned IFAD staff and managers. The consultations allowed for a thorough evaluation and reassessment of the UNOPS client relationship with IFAD. UNOPS and IFAD have agreed, in principle, to develop a new fee structure agreement by mid-2004 and to undertake a formal annual client relationship review.

69. These discussions all point to the need for an organization such as UNOPS and the menu of services that it offers.

A. Governance

70. Discussions have been held on governance matters with the Management Coordination Committee (MCC) and informally with Executive Board members. These include review of the UNOPS relationship to the Executive Board as well as the role and composition of the MCC. However, in consultation with the MCC, UNOPS senior management has decided to hold such discussions in abeyance, to enable it to focus on the immediate priorities of portfolio acquisition, delivery, business process improvements and staff alignment.

B. Mandate

71. The rapidly evolving work of the United Nations, the multiple expectations and demands placed on the system for its effective contribution to the realization of the MDGs, and its support to peace-building, security and development, coupled with member state expectations for United Nations reform, require an evolutionary and dynamic re-evaluation of the role and service provision of UNOPS.

Regional and sub-regional development banks

72. Executive Board decision 2004/3 authorized UNOPS, on a pilot basis, to initiate a dialogue with regional and sub-regional development banks to devise a strategy for cooperation. UNOPS is pleased to report a promising relationship with the African Development Bank (AfDB). UNOPS is building a working relationship with the AfDB by responding efficiently to a series of procurement requests from the central administration of the Bank. AfDB officials have visited UNOPS in Copenhagen and New York and reiterated their interest in UNOPS procurement support. UNOPS is working closely with the AfDB on a project in the Democratic Republic of the Congo called 'Initiative fleuves Congo Oubangui Chari' and on an AfDB-World Bank project in Rwanda, in close consultation with UNDP Rwanda. UNOPS has a tradition of cooperation with the Inter-American Development Bank. This cooperation is expected to be enhanced. In Peru, for example, UNOPS expects to sign an MSA in the near future for contract supervision activities. Other infrastructure initiatives are in progress in Afghanistan with the Asian Development Bank.

Common services

73. The report of the UNDG Executive Committee meeting of 6 January 2004, in reviewing the prospects for rationalizing country presence and movement to shared common services, states "there might well be some future role for UNOPS in providing certain common services at the field level". UNOPS was requested by the UNDG to outline a position paper for providing common services on a pilot basis to other United Nations organizations. In providing common services, UNOPS will capitalize on partnerships with other United Nations service providers such as the United Nations Joint Logistics Centre and DPKO in an effort to establish synergies and avoid overlaps or internal competition. To be effective in this endeavour, UNOPS will need to strengthen its operational field presence at appropriate locations. It is currently serving as secretary of the interagency Iraq common services working group in Amman, and provided consultancy services for the definition of the Cape Verde joint office initiative.

Infrastructure and public works programmes

74. UNOPS has significant experience in implementing infrastructure and public works programmes. Good examples of UNOPS capacity in this area of services are the labour-intensive public works programme and the national emergency employment programme in Afghanistan. UNOPS-World Bank cooperation for the implementation of the labour-intensive public works programme commenced in 2002. This cooperation has since expanded. During 2003 alone, UNOPS facilitated the set-up and management of over 40 local contracts, each exceeding $100,000, and managed another 270 small-value contracts for road repairs and extensions ranging from 1.3 km to 40 km. This universe of contracts established and managed by UNOPS provides for 7.78 million working days and reaches some 63,000 beneficiaries.

75. UNOPS wishes to expand its service provision through direct support to host governments in the infrastructure and public works area, which is of particular importance in transitional and post-conflict situations. Such services would address, for example, labour-intensive secondary or tertiary road construction, social infrastructure (such as schools, clinics and water supply) and rehabilitation in rural and remote areas. It may be recalled that, in the early part of the 1990s, UNOPS was equipped with a division fully dedicated to servicing infrastructure and public works programmes.

76. UNOPS will request discussion by the Board regarding the expansion of UNOPS service provision to work directly with governments in infrastructure and public works projects, where UNOPS has a recognized capacity and expertise that does not overlap with other United Nations agency mandates. The principle would be that such work should be part of explicit national priorities, as expressed in a national budget or development plan framework, and that the proposed collaboration would be endorsed by the United Nations Resident Coordinator.

Attachment 1
UNITED NATIONS OFFICE FOR PROJECT SERVICES (UNOPS)

Comparative and Common Size Statements of Revenue, Expenditures and Changes in Fund Balances for the years ended December 31, 2003 and December 31, 2002 and the biennium ended December 31, 2003
in US Dollars

	Comparative Statements			Common Size Statements		
	2003	2002	2002-2003	2003	2002	2002 to 2003
REVENUES						
Support Costs and Fees by Client						
UNDP - Funded Projects	$ 7,072,412	$ 9,713,197	$ 16,785,609	10.7%	22.2%	15.3%
UNOPS as Implementing Agency						
UNDP Funded Projects	1,728,867	1,727,736	3,456,603	2.6%	4.0%	3.1%
Trust Fund Projects	392,948	562,912	955,860	0.6%	1.3%	0.9%
Subtotal	2,121,815	2,290,648	4,412,463	3.2%	5.2%	4.0%
Projects Conducted on Behalf of Other UN Organzations	12,204,573	7,513,431	19,718,004	18.4%	17.2%	17.9%
Trust Fund Projects						
Montreal Protocol	644,490	1,339,436	1,983,926	1.0%	3.1%	1.8%
Global Environmental Facility (GEF)	2,018,823	2,192,822	4,211,645	3.0%	5.0%	3.8%
UN Capital Development Fund	130,247	368,636	498,883	0.2%	0.8%	0.5%
Other Trust Funds	2,861,392	2,963,494	5,824,886	4.3%	6.8%	5.3%
Subtotal	5,654,952	6,864,388	12,519,340	8.5%	15.7%	11.4%
Management Services Agreements (MSA)						
Japan	3,230,109	4,689,178	7,919,287	4.9%	10.7%	7.2%
World Bank Agreements	511,500	433,709	945,209	0.8%	1.0%	0.9%
Other MSAs	3,756,541	3,889,322	7,645,863	5.7%	8.9%	7.0%
Subtotal	7,498,150	9,012,209	16,510,359	11.3%	20.6%	15.0%
Total Support Costs and Fees	34,551,902	35,393,873	69,945,775	52.1%	81.0%	63.6%
Service Income - IFAD Loan Supervision, Global Fund, and PAPP	7,038,710	6,427,429	13,466,139	10.6%	14.7%	12.2%
Advisory Services Projects (Iraq)	23,414,022	607,784	24,021,806	35.3%	1.4%	21.8%
Interest Income	40,193	136,720	176,913	0.1%	0.3%	0.2%
Miscellaneous Income	1,218,909	1,126,119	2,345,028	1.8%	2.6%	2.1%
Total Revenues	$ 66,263,736	$ 43,691,925	$ 109,955,661	100.0%	100.0%	100.0%
EXPENDITURES						
Salaries and Wages	$ 20,707,456	$ 21,863,989	$ 42,571,445	31.3%	50.0%	38.7%
Common Staff Costs	7,262,382	7,948,533	15,210,915	11.0%	18.2%	13.8%
Official Travel	1,209,176	1,167,217	2,376,393	1.8%	2.7%	2.2%
Contractual Services	755,138	559,494	1,314,632	1.1%	1.3%	1.2%
General Operating Expenses	6,784,049	6,209,914	12,993,963	10.2%	14.2%	11.8%
Supplies	186,872	242,545	429,417	0.3%	0.6%	0.4%
Furniture and Equipment	255,226	228,591	483,817	0.4%	0.5%	0.4%
Cost of Services Provided by UNDP Country Offices and Other UN Agencies	1,770,021	2,245,032	4,015,053	2.7%	5.1%	3.7%
Cost of Central Services	5,343,565	3,129,511	8,473,076	8.1%	7.2%	7.7%
Subtotal	44,273,884	43,594,826	87,868,710	66.8%	99.8%	79.9%
Information Systems Project	-	-	-	0.0%	0.0%	0.0%
ERP Investment Cost	3,074,320	0	3,074,320	4.6%	0.0%	2.8%
Subtotal	3,074,320	0	3,074,320	4.6%	0.0%	2.8%
Provision for Doubtful Accounts	0	557,196	557,196	0.0%	1.3%	0.5%
Costs of Staff Separation Entitlements	379,913	1,116,276	1,496,189	0.6%	2.6%	1.4%
Host Government Contributions and Expenditures	113,095	(68,391)	44,704	0.2%	-0.2%	0.0%
Subtotal	493,008	1,605,081	2,098,089	0.7%	3.7%	1.9%
Total Expenditures	$ 47,841,212	$ 45,199,907	$ 93,041,119	72.2%	103.5%	84.6%
Excess (Deficit) of Revenues over Expenditures	**$ 18,422,524**	**$ (1,507,982)**	**$ 16,914,542**	**27.8%**	**-3.5%**	**15.4%**

Accounting basis: modified accrual

United Nations DP/2004/24

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

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Item 8 of the provisional agenda
United Nations Volunteers

United Nations Volunteers*
Report of the Administrator

Elements of a decision

In taking note of the present report, the Executive Board may also wish to:

(a) Express appreciation for the activities of the United Nations Volunteers (UNV) programme in promoting volunteerism for development, including mobilizing volunteers.
(b) Recognize the achievements of the UNV programme in articulating and advocating the importance of the contributions of volunteerism, in particular the role it plays in the attainment of the Millennium Development Goals.
(c) Welcome the initiatives taken to extend opportunities for all citizens to engage in volunteering for development by expanding the forms of affiliation with the Programme.
(d) Call for the relevant organizations and bodies of the United Nations system to continue efforts to integrate volunteerism into their policies, programmes and reports, including as it relates to the achievement of the MDGs.
(e) Encourage governments to contribute to the UNV Special Voluntary Fund to enable UNV to further explore and demonstrate the role of volunteerism and volunteer contributions to development.
(f) Reconfirm its support for the UNV programme as focal point for the follow-up to the International Year of Volunteers and support it in further developing its future role in the report of the United Nations Secretary-General to the 60th session of the General Assembly in 2005.

* The collection of data required to present the Executive Board with the most current information has delayed submission of the present document.

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I. Introduction

1. This report addresses the activities of the United Nations Volunteers (UNV) during 2002-2003 and highlights the challenges ahead. The biennium was marked by continued dynamic growth, an evolution of the culture of partnership and networking, and a strategic decision to reinforce the added value of volunteerism in all UNV operations, building on the momentum created by the International Year of Volunteers (IYV) 2001. The contribution of UNV is articulated through the Millennium Development Goals (MDGs) and the UNDP multi-year funding framework (MYFF).

II. Volunteerism and development: the evolving role of UNV

2. The mission of the UNV programme is to maximize the contribution of volunteerism to development effectiveness and human well-being. The Millennium Declaration and the MDGs are the key parameters for implementation of the mission. This is based on the premise that achieving the MDGs will require the ingenuity, solidarity and creativity of millions of people through voluntary action.

3. The added value of volunteerism extends far beyond the numbers of people participating in development initiatives. IYV highlighted important qualitative considerations. Value systems in any society have a major influence on the direction and performance of development efforts. Civic engagement through voluntary action is one of the principal manifestations of trust and solidarity within and among communities.

4. When strategically promoted, the combination of scale and intrinsic quality of volunteer participation in the development process reinforces key drivers identified in the MYFF as being vital to development effectiveness. Volunteer action is a valuable adjunct to national capacity building and the promotion of national ownership. Moreover, since volunteerism cuts across all sectors and springs from the basic values and traditions of most societies, it constitutes a powerful force for the forging of strategic partnerships.

III Overview: 2002-2003

A. Main characteristics

5. With its mission of promoting volunteerism, including the mobilization of volunteers, UNV continued to build on its added value by stimulating national policy development on volunteerism, international advocacy and volunteer assignments.

Stimulating national policy development on volunteerism

6. The report of the United Nations Secretary-General to the 57th session of the General Assembly on the follow-up to the International Year of Volunteers (A/57/352) highlighted the relevance of volunteerism to achieving the MDGs and underlined the central role of UNV, in collaboration with other stakeholders, in

enhancing the recognition, facilitation, networking and promotion of volunteerism. The importance of sustained efforts to further facilitate and support volunteer action was reinforced in a General Assembly resolution (A/RES/57/106) co-sponsored by 143 countries. As focal point for the follow-up to IYV, UNV has set in motion a number of initiatives at the national and international levels.

7. Drawing on its programme experience, UNV is working with partners to stimulate policy debate at the national level with a view to increasing awareness and recognition of the need for official support to voluntary action. To that end, UNV has worked with a number of countries to incorporate volunteerism into their national human development reports (NHDRs), yielding results in eight countries so far. In the same vein, UNV has established a cooperation framework with the International Council on National Youth Policy to promote youth volunteering as an integral part of youth policies.

8. In partnership with the International Federation of the Red Cross and Red Crescent (IFRC), which encompasses 95 million volunteers worldwide, and the Inter-Parliamentary Union (IPU), UNV is engaged in research to identify best practices in the formulation of national legislation that promotes volunteerism. This will provide a learning opportunity, through exchange of views and sharing of knowledge, for countries to adopt such legislation. The findings will be presented to parliamentarians in 2004.

9. Efforts are under way to strengthen the capacity of national statistical offices to incorporate volunteer contributions into the system of national accounts. In this regard, UNV established a partnership with the Johns Hopkins Centre for Civil Society Studies in a three-year pilot programme in nine developing countries. This initiative is expected to contribute significantly to raising awareness at the policy level of the economic contribution of volunteerism and to strengthening the case for budgetary and other support. It should also result in an enhanced capacity of some developing countries to report on aspects of civic participation in achieving the MDGs.

International advocacy

10. UNV continues to advocate at the international level for recognition of the contribution of volunteerism to development and for measures that enhance the role of volunteers in meeting development goals. Building on the broadened partnership base established during IYV, UNV strengthened its collaboration with organizations such as the World Alliance for Citizen Participation (CIVICUS), the International Association of Volunteer Effort (IAVE), the International Business Leaders Forum and the Inter-American Development Bank. These partnerships generated greater awareness of the added value of volunteer action to society in major global conferences and events, including International Volunteer Day (see paragraph 54).

11. During the IPU Inter-Parliamentary Conference, held in April 2003 in Chile, for example, UNV worked with members to ensure that the final resolution included recommendations to governments and legislators to recognize and facilitate the critical role of voluntary community-based organizations (CBOs) and non-governmental organizations (NGOs) in disaster preparedness and response. The role that volunteering plays in raising human capacity was also reflected in the Plan of Implementation of the World Summit on Sustainable Development and the Plan of Action of the World Summit on the Information Society. Similarly, the Report of the United Nations Inter-Agency Task Force on Sports for Development and Peace

highlighted the importance of volunteerism in building social cohesion and the need to consider volunteers as a strategic resource when implementing sport-for-development programmes.

12. During the biennium, UNDP and UNV worked to strengthen the analysis and understanding of volunteerism in development. For example, the positive contribution of volunteerism was examined as part of a recent research project led by UNDP that focused on the question of capacity development ("Ownership, Leadership and Transformation: Can We Do Better for Capacity Development?"). Furthermore, as part of its 'Essentials' series, UNDP summarized and disseminated lessons learned on the impact of voluntary action on cementing social norms and inculcating a sense of belonging and civic responsibility.

Volunteer assignments

13. UNV volunteers supported communities and organizations in programme countries through initiatives that brought direct quality-of-life benefits to target populations. Development cooperation activities remained the hallmark of UNV programme implementation. Support to partners in electoral processes, peace-building and humanitarian relief gained momentum. In these activities UNV combines the expertise and knowledge of international and national volunteers to enhance capacity development, reinforce sustainability and promote the spirit of volunteerism and global solidarity. Annex I provides a statistical overview of UNV activities over time, with information, by region, on the number of UNV volunteer assignments and the numbers of individuals involved.

14. Assignments in 2003 increased by 7 per cent over 2001, while the number of individual volunteers grew by 10 per cent to 5,635. UNV volunteers worked in 150 countries and represented a record 165 nationalities, demonstrating the universality of UNV and the opportunity it provides for all citizens to engage in United Nations activities for peace and development. The majority of UNV volunteers (72 per cent in 2003 as compared to 66 per cent in 2001) were developing country nationals, nearly half serving outside their home countries. UNV thus continues to be a concrete expression of South-South cooperation. UNV is committed to ensuring the fullest participation of women, with the number of women volunteers growing in absolute terms by 9 per cent during the biennium and accounting for 37 per cent of all UNV volunteers. In percentage terms, the proportion of women volunteers remained unchanged. The attainment of gender parity continues to be a key objective

15. UNV is responding to demand for more opportunities for citizens to volunteer for development, both locally and internationally. Accordingly, new forms of affiliation, UNV interns and UNV associates, have been developed and operationalized (see paragraphs 67 and 68).

B. Programme activities

16. The following overview of UNV programming contributions is organized according to the five strategic goals outlined in the UNDP MYFF, focussing on those service lines where UNV particularly complements the comparative strength of UNDP and other partners. Across the scope of programme interventions, the uniqueness of UNV resides in its knowledge and grass-roots experience, its ability to build local capacity and ownership based on best practices, and its commitment to

fostering volunteerism as a catalyst for development. The role of the Special Voluntary Fund (SVF) in enabling UNV to pioneer innovative pilot activities to test and demonstrate the added value of volunteerism is illustrated throughout.

MYFF Goal 1: Achieving the MDGs and reducing human poverty

17. UNV is well placed to have a direct impact on activities aimed at attaining the MDG targets and reducing human poverty. It is close to communities in terms of both its people-centred participatory approaches and the physical proximity of most UNV volunteers to the grass roots. Some 27 per cent are engaged in targeted activities at local level, increasing citizen participation in such areas as infrastructure and micro-enterprise development, education, youth and student programmes, information and communications technology and business-community relations.

Service line: Local poverty reduction initiatives; civil society empowerment; youth participation.

18. People-driven development activities and effective CBOs are crucial to the success of poverty reduction programmes. UNV activities in Kyrgyzstan illustrate how UNV volunteers help strengthen local institutions and foster ownership and participation. In support of the country's decentralization programme and with SVF financing, UNV is galvanizing community action by reaching out to some 30,000 people in the poorest and most isolated areas. The stimulus provided by the UNV volunteers is helping local volunteers and self-help groups – now close to 1,200 CBOs – to organize and become an effective force in the community. Particular attention is given to ensuring the engagement of women in determining priorities. Initiatives taken by these groups range from submitting proposals for micro-loans to improve livelihoods to collectively addressing community needs such as building roads to improve access to farm lands.

19. Sustained community involvement is essential for long-term well-being of children and youth. In Niger, UNV works in rural villages to provide opportunities for pre-school education, increasing the odds for children, especially girls, to attend school. UNV volunteers help parents, teachers and community members to organize so as to plan and monitor the construction and management of kindergartens. This allows women to pursue literacy, training and income-generating activities. To date, hundreds of children and mothers have benefited from the initiative. A similar project is being developed in Senegal.

20. In cooperation with the United Nations Children's Fund (UNICEF), UNV is complementing efforts of governments in six eastern Caribbean countries in the implementation of Health and Family Life Education (HFLE) programmes. With volunteers help, schools are adapting the curriculum to reflect local values and needs and engaging CSOs, including parent-teachers associations, to reinforce these values at the community level. Results achieved in the last two years include the training of over 2,000 teachers, the engagement of some 3,500 parents in HFLE activities and the establishment of HFLE information management systems. Also noteworthy is that HFLE national policies have been adopted in five of the six countries. In Madagascar, UNV has mobilized communities to help marginalized young people regain their confidence and self-reliance. In addition to counselling, vocational training, and the establishment of micro-enterprise schemes, UNV has developed innovative local partnerships to ensure a lasting network of support for youth. One example is the setting up of a network of over 100 "Volontaires des

quartiers", mostly women who volunteer to help prevent violence and address social exclusion through participatory approaches.

21. Recognizing the contribution that youth can make to achieving the MDGs, UNV is exploring ways to build on and promote a culture of volunteerism so that this vast resource can be better harnessed. Drawing on successful initiatives involving university graduates in Guatemala and Nicaragua, a "Youth With People Participation" project is being pioneered in Bolivia in close cooperation with UNDP and national authorities. Between 2004 and 2007, 1,200 university graduates will contribute as volunteers to Bolivia's national strategy to fight poverty, assisting scores of municipalities and local communities in poverty reduction initiatives. Another example is the Global University Network that UNV has developed in the context of the United Nations Information Technology Service (UNITeS) initiative. Its primary objective is to lever resources and lay foundations for universities to engage in long-term support for volunteering. Currently, UNV is collaborating with the Africa Youth Foundation and universities in Japan, Mexico and Spain. Discussions with universities in Canada and Switzerland as well as institutions in African and South Asian countries are ongoing.

22. With regard to civil society empowerment, UNV is helping to strengthen national organizations focused on volunteerism in countries including China, Indonesia, Mongolia and South Africa. In cooperation with international volunteer organizations and local partners, UNV supports activities such as strengthening management and administrative practices, launching awareness raising campaigns, and encouraging policy- and decision-makers to legislate an enabling environment for volunteering.

Service line: Private-sector development and corporate social engagement.

23. The private sector plays an important role in economic and social development and poverty reduction. UNV supports private enterprise development in programme countries; and encourages companies to support their employees as corporate volunteers. In Ecuador, for example, in the context of a nationwide programme developed by UNDP and the government, UNV, through its volunteers, enables small and medium-sized enterprises to develop employment opportunities and contribute to economic growth in provinces with the highest levels of poverty and migration. In line with recommendations aiming at increasing the contributions of the private sector to build the knowledge and expertise of developing country enterprises – contained in the recent report of the Commission on the Private Sector and Development to the United Nations Secretary-General – UNV signed agreements with a German company and a French non-profit association to promote corporate volunteering, and advanced work on a collaboration agreement with a programme initiated by employees of a multinational oil company.

24. In cooperation with a United Kingdom-based NGO, UNV undertook collaborative research on corporate social engagement by national companies and transnational corporations to better understand their contributions to social development and the role that volunteers play in that process. Research covering Brazil, Ghana, India, Kazakhstan, Lebanon, Nigeria, Philippines and South Africa points to a long history of business-community relations in developing countries and economies in transition. It also highlights the considerable scope for enhancing business-community relations in a development context. UNV has subsequently been requested by a multinational oil company in Nigeria to help develop a strategy for engaging communities in identifying local needs and priorities. In Lebanon,

UNV works with the Government and private companies to develop schemes for employees to volunteer in support of youth groups, cooperatives and municipalities.

MYFF Goal 2: Fostering democratic governance

25. Democratic governance is an essential component of the environment necessary for achieving the MDGs, including poverty reduction. During the biennium, some 30 per cent of UNV volunteers were engaged in governance-related activities, including support to local governments in forging linkages with civil society as well as with central government; facilitating outreach for human rights institutions; and promoting transparent and inclusive electoral processes.

Service line: Decentralization and local governance

26. As noted in the Human Development Report 2003, collective mobilization and action are essential components of effective governance. Furthermore, a precondition for successful decentralization is a strong relationship between local government and civil society. In these two areas – creating space for participation and enhancing links among stakeholders –UNV makes strong contributions. In support of the UNDP local governance programme in Albania for example, national and international UNV volunteers serve at the commune, municipal and regional levels to bring together and engage local authorities and communities in participatory development planning and management. As a result, more than 100 CBOs have been established to plan and implement local development projects, mainly in the areas of social infrastructure and health.

27. Strengthening institutional capacities for improved efficiency and accountability is another important component of successful decentralization processes. In Ethiopia, the launch of a national UNV volunteer scheme is helping direct domestic expertise, often concentrated in the capital, to improve regional public sector management. Specific activities include formulating endowment profiles, assessing resource bases for revenue generation and developing computerized systems for managing public resources. In Cambodia, UNV, together with an international NGO, is working with the Government to facilitate the registration of newborn babies through mobile teams. With the improved registration statistics, state and local administration will be better able to target policies and control child labour, trafficking and other illegal practices.

28. The application of e-governance tools and techniques has proved effective in increasing interaction between government and citizens. In partnership with the Federation of Latin American Municipalities and the International Union of Local Authorities, UNV has established and maintains a powerful Web-based database, the Platform for International Municipal Exchanges (PIMEX), which provides local governments with a virtual space to post supply and demand for volunteer exchange. This helps foster cooperation among local governments in Latin America and the Caribbean, and has resulted in technical assistance initiatives involving 35 municipalities from 13 countries.

Service line: Justice and human rights

29. Civic participation in legal and judicial reform and extending the reach of human rights institutions to the grass-roots level are important factors in helping bridge the gap between the public justice system and citizens. In Haiti, UNV intervenes in those decentralized justice structures nearest to the people, strengthening the capacity of peace tribunals, the Ombudsman, the penitentiary

system and CSOs. A recent independent evaluation of UNDP support to the governance programme in Haiti noted that the downstream presence of UNV has helped generate information and perspectives that inform development partners in their strategic planning and policy advisory roles. In Uganda, UNV works with government and other national stakeholders to build knowledge of basic human rights. Activities focus on communities where human rights abuse is pronounced, raising awareness about rights and channels for reporting abuses; improving communication and trust between law enforcement agencies and people; and simplifying procedures in local courts. In Brazil, in line with the national objective to adopt a standard for economic, social and cultural rights, national UNV volunteers research and report human rights abuses and work closely with communities and government to identify relevant policy measures. UNV volunteers working from community telecentres in Jordan encourage local women to use the UNIFEM-sponsored development network for Arab women. They can thus access information on legal rights, leadership opportunities and ways to participate.

30. UNV volunteers have been the mainstay of the United Nations Verification Mission in Guatemala (MINUGUA) at the district and local levels for several years. A review highlighted how the grass-roots involvement of UNV volunteers, including indigenous volunteers from neighbouring countries, helped the mission identify and take into account human rights issues specific to indigenous people. The process of transferring the functions of the mission to national ownership has begun. National UNV volunteers are working closely with counterparts in the Government, CSOs and human rights organizations to ensure that the knowledge and experience acquired, including the value of volunteerism in advancing human rights, is retained and continues to serve the population.

31. UNV continued to support the Human Rights Strengthening Programme (HURIST) launched by UNDP and the Office of the United Nations High Commissioner for Human Rights (OHCHR). In Fiji, work with government and civil society representatives of the Melanesian States identified obstacles to the ratification of human rights treaties and strategies to overcome them. In Kazakhstan, activities were carried out with the Government to develop human rights legislation, establish an Ombudsman's office and train state officials and, with NGOs and the mass media, to monitor and report human rights abuses. In Yemen, UNV focussed on assisting women's groups and training youth volunteers in human rights issues in Yemeni law to assist them in disseminating these values in schools, institutions and associations.

Service line: Electoral systems and processes

32. Supporting new and restored democracies to establish sustainable and transparent electoral processes is necessary for democratic governance. In 2002-2003, UNV demonstrated its capacity to bring together qualified, experienced volunteers of different nationalities and cultures to work primarily at the community level. In partnership with the European Union, UNV provided electoral assistance in Nigeria. Further support in Comoros, Georgia, Indonesia, Kenya and Sierra Leone was provided directly to UNDP country offices. UNV is engaged in the core tasks of voter registration in Afghanistan and actively supporting the work of the Department of Peacekeeping Operations (DPKO) in planning elections in Burundi, Côte d'Ivoire, the Democratic Republic of Congo and Liberia, as well as the expected referendum in Sudan.

MYFF Goal 3: Energy and environment for sustainable development

33. During the biennium, UNV supported programmes dealing with protecting natural and cultural heritage, including issues related to land degradation, management of waste collection and clean water supply. Mobilizing citizen action at the local level and forging links to job creation were features of the work of many UNV volunteers in this field.

34. Promoting the involvement of communities in the sustainable use of common property resources contributes to the successful integration of environmental dimensions into poverty reduction strategies. In Cape Verde, for example, UNV and the secretariat of the United Nations Convention to Combat Desertification (UNCCD) supported the Government in launching an initiative to harness volunteers to address the problems of land degradation, desertification and youth unemployment. National UNV volunteers, together with local partners, conducted training of trainers on social mobilization techniques and initiating pro-environment small businesses. The objective is to raise public awareness of, and community participation in, environmental protection measures and to help young unemployed people to establish environment-friendly enterprises. Other key objectives are to promote a culture of volunteerism among youth and build a national volunteer corps.

35. In Mali, UNV is working with communities in the Dogon country to ensure the preservation of natural and cultural heritages and to direct the benefits accruing from tourism development to disadvantaged communities. Working with customary chiefs, villagers and municipal authorities, UNV volunteers help define priorities, including in preserving and restoring monuments, managing natural sites and developing curricula on environment for schools. They also assist in developing income-generating skills such as training women as tourist guides and helping craftsmen better organize and market their products.

36. UNV supports communities in improving their urban environment. In Nablus and the surrounding villages in the occupied Palestinian territory, for example, volunteers work with village councils, local volunteer associations, municipalities and private sector firms to assess available resources and utilize them to decrease illegal dumping and off-site burning. This contributes to improved collection and safe disposal of solid waste, while encouraging recycling at the household and municipal levels. In Chad, UNV volunteers assisted communities in developing micro-projects to improve the urban environment. This generated jobs through the creation of small-scale businesses catering to services such as waste collection and the maintenance of drinking fountains. The best practices developed in the course of the project will form part of a broader urban development initiative to be supported by UNDP in Chad.

37. UNV collaborates with local governments in Ecuador, Jamaica, and Yemen to mobilize volunteer participation in urban development. This has stimulated volunteer engagement in activities ranging from the repair of schools and the launching of reforestation campaigns to conducting workshops for women on their roles as volunteers for environment. A knowledge base of best practice examples and lessons learned is under way and will be made available to other cities wishing to harness volunteering for urban development.

MYFF Goal 4: Crisis prevention and recovery

38. Emergency response to conflict and natural disasters, longer-term prevention actions and assistance in the recovery process are major areas of involvement for UNV. Nearly 40 per cent of UNV volunteers supported activities such as assisting in the reintegration of ex-combatants, fostering inter-communal collaboration among divided groups, conducting civic education, promoting disaster preparedness and delivering humanitarian assistance.

Service line: Conflict prevention and peace building

39. In the wake of conflicts, volunteer action has proven to be an important element in reconciliation and reconstruction, and the building and restoring of trust. In Niger, UNV helps ex-combatants reintegrate into their communities as part of the consolidated peace process. In addressing immediate needs, UNV volunteers work alongside ex-combatants to identify income-generating activities and implement micro-projects. Ventures have been established involving more than 700 ex-combatants in activities ranging from livestock trading to clothing and jewellery making. More broadly, the volunteers promote inter-communal activities such as regional meetings of traditional leaders on conflict resolution and peace promotion in secondary schools. The project also supported a rural radio station set up by local volunteers to broadcast programmes and peace messages in French and local languages.

40. In Bosnia and Herzegovina, UNV helps foster cooperation among Bosniak, Croat and Serb youth. UNV volunteers from abroad and within the country are supporting multi-ethnic summer camps, facilitating a web site managed by youth volunteers to reach youth in other communities, and setting up local youth advisory boards with members from different ethnic backgrounds. In Guinea, in collaboration with national radio stations, UNDP and NGOs, UNV recently launched a project to promote a culture of peace using mass media, the first such initiative in the country. Activities conducted by national and international UNV volunteers focus on conflict prevention and civic education with a view to promoting a spirit of trust and dialogue among Guineans, including internally displaced persons and refugees.

Service line: Recovery

41. UNV experience in rehabilitation efforts within post-conflict environments is an important asset to partners in the United Nations system and the countries served. The UNDP Bureau for crisis prevention and recovery team and UNV set up a rapid-deployment facility to establish a standby team of trained, experienced volunteers who can be immediately deployed to UNDP country offices. Over 20 UNDP country offices have benefited from this facility.

42. UNV continued to support activities of United Nations system humanitarian agencies in areas such as food distribution, water, shelter, health treatment and coordination, in over 50 countries. Over 600 UNV volunteers served with the United Nations High Commissioner for Refugees (UNHCR) in 2003, double the number in previous years. Participation in the work of the World Food Programme (WFP) also increased significantly, including in HIV/AIDS related activities. In line with an Office of Internal Oversight Services recommendation, UNHCR and UNV are finalizing a global memorandum of understanding reflecting the added value that volunteers and national service bring to joint activities.

43. Helping bridge the gap between relief and development is an area where UNV plays an important role. In Afghanistan, for example, 244 UNV volunteers, representing 64 nationalities and including expatriate Afghans, were deployed in response to requests from the Government and almost all the United Nations organizations in the country. Focused on enhancing national capacity and ownership, the volunteers supported activities in urban development, finance and administration, gender, education, health and the reintegration of refugees.

Service line: Special initiatives for countries in transition

44. The capacity of UNV to support countries in transition is illustrated by the role it has played in East Timor. Between 1999 and 2003, some 3,000 UNV volunteers from over 100 countries have supported electoral processes, national reconstruction and social and administrative capacity building. Serving as the outreach arm of the United Nations, the added value of the volunteers lies in their proximity to local populations and their close interaction with them. The resulting confidence has enabled them to energize local people towards committed engagement in their own development process. UNV remains committed to helping develop capacity in East Timor. One example is UNV support to the Ministry of Planning and Finance in the implementation of the National Development Plan, strengthening the capacity of CSOs in poverty reduction and gender-equality activities at the district and community levels.

45. UNV involvement in operations under DPKO auspices continued to gain momentum. In 2003, the relationship between DPKO and UNDP/UNV was further consolidated through the signing of a global memorandum of understanding and a note on guiding principles that recognizes that UNV is more than a staffing modality and commits both organizations to further promote the added value of volunteerism in peacekeeping. With nearly 2000 UNV assignments undertaken in support of DPKO during the biennium, UNV volunteers constituted an important part of the civilian staffing of most operations. During this period, every new operation established by DPKO has involved UNV volunteers, and UNV now participates in the planning stages of DPKO interventions.

46. A new development in UNV activities in many peacekeeping missions is that, in addition to their assignments, volunteers are mobilizing local volunteers as well as United Nations mission staff to support community level initiatives. In the United Nations Mission in the Democratic Republic of the Congo, for example, UNV volunteers joined 75 local volunteers in building hospital beds, renovating a maternity ward and refurbishing a local school for nearly 300 pupils. In other missions, UNV volunteers have rallied local communities to teach HIV-positive women new textile dyeing techniques in Eritrea, rehabilitated a centre for the blind in Kosovo, and dug wells for a children's home in Sierra Leone.

Service line: Natural disaster reduction

47. Drawing on indigenous knowledge can help strengthen the capacity of communities to engage in natural disaster prevention, mitigation and recovery activities. Following severe droughts and extreme food shortages in Malawi, national UNV volunteers supported local authorities in the efficient distribution of relief aid. They subsequently worked with communities in disaster preparedness, including hunger prevention and mitigation planning, vulnerability mapping and setting up drought monitoring systems.

48. Following major natural disasters in Orissa and Gujarat, India, over 200 Indian UNV volunteers were deployed to disaster risk management projects, functioning as key links between communities, local administration and NGOs. UNV volunteers helped design and develop the India Disaster Resource Network, an online nation-wide inventory of resources for emergency response to disasters. They trained district and state authorities to access and use the network to mobilize support for evacuation, search and rescue, medical aid and other relief priorities. When floods hit Sri Lanka in 2003, affecting more than 600,000 people, a team of Indian UNV volunteers arrived within hours to help streamline information collection, conduct damage assessment and coordinate distribution of relief in the worst affected areas. They also acted as focal points at the district level for local and international donor assistance.

MYFF Goal 5: Responding to HIV/AIDS

49. UNV has been deeply committed to the fight against HIV/AIDS for a number of years, mobilizing and facilitating voluntary action at the community level in support of national efforts to address the consequences of the pandemic.

50. Voluntary action was recently recognized as one of the principal modalities in the implementation of the UNDP flagship programme known as the Southern Africa Capacity Initiative (SACI) to address the challenges posed by HIV/AIDS. UNV involvement includes the engagement of local volunteers to help deliver essential services, building on existing voluntary action and drawing on untapped resources such as graduates and retirees as well as the mobilization of UNV volunteers, drawn mainly from within Africa, to offset the loss of skilled human resources and help sustain local capacity.

51. UNV continues to support the Greater Involvement of People Living with HIV/AIDS (GIPA), an ongoing initiative of UNDP and the Joint United Nations Programme on HIV/AIDS (UNAIDS). UNV volunteers – many of them HIV positive – are working with communities in 12 countries in Africa, Asia and the Caribbean states to build effective self-help networks, support health and home-based care, challenge discrimination and promote prevention programmes. UNV is extending support to projects in Burundi and Indonesia and aims to create a regional voluntary GIPA support network in Southeast Asia.

52. UNV draws on partnerships to advocate broadly for the role of volunteerism in HIV/AIDS initiatives. For example, UNV, IFRC and IPU hosted joint events at the Global Conference on HIV/AIDS in 2002 to increase public awareness of the critical role of volunteers in addressing HIV/AIDS.

C. Follow-up to the International Year of Volunteers 2001

53. UNV undertook actions called for in resolution 57/106 of the General Assembly on follow-up to IYV. These included efforts to raise awareness of volunteerism, to increase networking and to support developing countries in promoting domestic voluntary action. Many of the activities undertaken have become integral to the work of UNV. UNV is acting as the secretariat for the report of the Secretary-General to the United Nations General Assembly in 2005 on follow-up to IYV.

54. With the support of UNV, a growing number of countries took action to ensure that the potential of International Volunteer Day was fully realized. First, the

number of countries marking the day grew from 61 in 2002 to 125 in 2003. Second, representation from developing countries increased from 45 to 91. Finally, in 2003, over 70 countries focused activities on the contribution of volunteerism to achieving the Millennium Development Goals, compared to only seven in 2002. International Volunteer Day is proving to be a highly effective platform to spread awareness of the power of volunteerism and help channel the energies of citizens who wish to volunteer.

55. Another follow-up to IYV has been the development of a global Internet volunteer resource base, www.worldvolunteerweb.org, which facilitates networking among the global volunteer community and houses an ever-increasing body of information highlighting the crucial role of volunteer action in attaining MDG targets. Currently, more than 50,000 organizations and individuals access the portal each month. Looking ahead, steps have been taken to establish a platform that will accommodate regional portals, involve online volunteers in building the site and facilitate interactive services to allow organizations and individuals to contribute towards MDG-related activities.

D. Lessons learned from reviews and evaluations

56. Addressing findings from earlier evaluations, UNV took steps to refine the indicators used to assess project results, identify the added value of UNV contributions and determine actions needed to address limitations and strengthen programme performance. To that end, UNV commissioned 26 project, thematic and country evaluations covering activities and achievements of around 1,300 UNV volunteers in more than 30 countries.

57. The findings show that much of the added value of UNV lies in the volunteers' ability to combine technical skills and professionalism with motivation, dedication and flexibility. It was noted that in sensitive areas such as human rights, HIV/AIDS and conflict resolution, UNV can be particularly effective in building the confidence and trust of communities by bringing the neutrality and universality of the United Nations identity to volunteerism. Mixed teams of national and international volunteers were identified as an effective mechanism to enhance experience and knowledge sharing, as well as maximizing the benefits of South-South cooperation. The contributions of UNV in stimulating local volunteer action and the ethos of volunteerism within communities was also recognized.

58. Some evaluations confirmed the continuous need to ensure that all UNV volunteers identify with the mission of UNV even though the majority serve in programmes and activities implemented by other organizations. In order to fully realize the potential of UNV volunteers to advocate for volunteerism and be an effective force in mobilizing local volunteer action in support of the MDGs, UNV and its partners must ensure that they are sufficiently equipped and supported. To that end, UNV is producing a set of methodological and practical guides for UNV programme officers and volunteers. The guides cover issues such as how to incorporate volunteerism in programming and national development frameworks; ways to stimulate volunteer action in the work of host organizations and the communities in which UNV volunteers serve; and actions that can be taken to support the establishment and optimum operational capacity of a volunteer infrastructure.

59. A new online volunteer periodic reporting system was introduced in April 2003 to enable UNV to provide a more accurate picture both of the overall profile of its contribution to development and the individual contributions of the UNV volunteers. While compliance rates need to improve, more than 2,000 reports were received by year's end. Analysis of the reports reveals a need to strengthen briefing of UNV volunteers and improve operational support. Responses show that UNV volunteers have a high level of work satisfaction overall, with the majority perceiving their assignments as well on track to achieve the stated objectives. The reporting system was recently upgraded in the light of experience.

60. An integral part of organizational learning and development for UNV is to review with partners how they perceive their relationship with UNV and identify ways in which it could be strengthened. In 2003, UNV commissioned the fourth in a series of independent reviews to assess its relationship with 25 of its cooperating organizations – national focal points that assist UNV by mobilizing human and financial resources. The review found a distinct shift in the nature of the issues raised, from an almost exclusive focus on operational matters in previous reviews towards substantive and policy-related concerns. The organizations praised UNV for its role in initiating new types of volunteer activity, strengthening the capacity of national and local volunteer organizations, and making the case in international forums for the importance of volunteerism. They look to UNV to take a more prominent role in these areas.

IV. Resources management

A. Financial resources

61. Annex II provides a financial overview of UNV. Information on regular resources relates to the Special Voluntary Fund. The designation 'other resources' relates to (a) cash contributions to UNV under trust funds, co-financing arrangements and the biennial support budget (approximately 47 per cent) and (b) the financial value of volunteer assignments charged directly to agencies and partners (approximately 53 per cent). Although the latter does not represent cash contributions flowing through the UNV books, it is incorporated in the overview to present the total financial value of UNV activities.

62. As reflected in annex II, the total estimated value of activities carried out in 2002-2003 was $218.4 million, about 4 per cent more than in 2000-2001. Of that total, $14.7 million, or approximately 7 per cent, was financed from the SVF and $203.7 million, or approximately 93 per cent, from other resources. The Administrator foresees further growth in the programme in 2004-2005 due to increased activities in the context of the UNDP Southern Africa Capacity Initiative, a sustained high level of activities in United Nations peacekeeping operations, and increased activity in support of other United Nations organizations. This is reflected in the forecasts for 2004-2005.

The Special Voluntary Fund

63. During 2002-2003, a total of $ 14.1 million was approved under the SVF for new pilot and experimental projects. Total expenditures during the period reached $14.7 million, an increase of 22 per cent compared to the previous biennium. The

balance as at 31 December 2003 was $24.0 million, out of which $19.0 million was fully committed.

Other resources

64. Activities financed from resources other than the SVF amounted to $203.7 million or 93 per cent of the total. Of the total of $169.1 million in programme expenditure, approximately 20 per cent was financed from UNDP programme resources, 23 per cent from other United Nations organizations, 41 per cent under DPKO missions and 16 per cent under trust funds, full funding and other co-financing arrangements.

Biennial support budget

65. With regard to the biennial support budget for UNV, in its decision 2003/22 the Executive Board approved the proposals of the Administrator contained in document DP/2003/28. In accordance with those proposals, the total UNV support budget, financed from all sources, is estimated at $38.5 million for 2004-2005. Of this total, the component financed from voluntary contributions to UNDP is $26 million, 21 per cent less than the highest levels in 1996-1997. The part of the UNV support budget financed from non-UNDP sources is estimated to increase to $12.5 million in 2004-2005. This is consistent with the fact that the strongest growth of the programme has been in non-UNDP financed activities.

B. Volunteer resources

66. UNV continued to improve its traditional methods of recruitment through UNDP country offices and cooperating organizations, and the Internet. With respect to the latter, the expanded outreach capacity has resulted in a wider range of talents and increased representation of nationalities on the roster. Technical refinements have also allowed more rapid processing of applications and an improved response rate to individuals wishing to volunteer. Equally important, the online application system directs the growing number of individuals interested in volunteering, but who do not have a UNV volunteer profile, to alternative opportunities to volunteer. To help build institutional capacity, the online application system has been adapted and made available for UNDP country offices and other organizations to establish their own databases of candidates for volunteer assignments.

67. UNV is engaging a wider group of citizens to volunteer for development both locally and internationally. UNV is expanding the intern scheme launched during the previous biennium, which enables younger people with more limited experience to participate in development activities. At the request of programme countries, UNV interns have been involved in areas including governance, ICT, poverty reduction, HIV/AIDS, environmental protection and disaster management. The programme in Bolivia described in paragraph 21 is an innovative example.

68. The new UNV associate scheme embraces volunteers who are not under contract to UNV but are directly or indirectly mobilized through and/or for a UNV-supported activity. A typical example is the online volunteering service launched in 2000. Now the largest database of online volunteering resources for development globally, it is an effective means both for individuals to share their skills and time from their homes and for organizations to access knowledge and expertise in areas ranging from website design, translation to resource mobilization. Some 500 organizations, including United Nations partner organizations, NGOs and

CBOs, are drawing upon the services offered by more than 12,000 online volunteers – 50 per cent of whom are women – from 186 countries. Over 45 per cent of online volunteers are from developing countries, representing an important development in South-South cooperation. The service also supports organizational capacity building by providing advice and resources in areas such as setting up online discussion groups and best practices in online volunteer management.

69. With an increasing number of UNV volunteers serving in crisis regions, UNV – in collaboration with the Office of the United Nations Security Coordinator (UNSECOORD) and partner agencies – continued to conduct activities to enhance the safety of UNV volunteers. These steps complemented the United Nations security management system at the country level, into which UNV volunteers are fully integrated. Specifically, missions were undertaken to assess the security situation and strengthen safety coverage for UNV volunteers assigned to hazardous duty stations. A series of safety and security workshops for UNV programme officers and administrative assistants was conducted, bringing together 70 participants from 44 countries. Conducting follow-up workshops in their respective host countries, these participants subsequently reached out to some 1,500 UNV volunteers. In addition, UNV, in coordination with UNSECOORD and with the support of the administrations of the peacekeeping missions , organized security awareness training and stress management workshops for over 1,500 UNV volunteers serving in peacekeeping operations. The Administrator and UNV management attach the utmost importance to the safety and security of UNV volunteers at all times.

C. Management and administration

70. Actions taken in the area of management and administration built on the achievements of previous years. Activities are guided by a well-established framework of values and operating principles and seven key planning goals relating to: policy; IYV; partnerships; people; performance; external resources; and internal resources. These are defined within the broader framework of the contribution of UNV through the prism of the UNDP MYFF, including as it relates to achieving the MDGs.

71. During the period September 2002-December 2003, the Joint Inspection Unit (JIU) carried out an extensive review of the UNV administrative and management structure and methods. The JIU issued its final report (JIU/REP/2003/7) in December 2003. It concluded that UNV has proved to be dynamic and responsive to changing and expanding demands, with a high degree of commitment to continuous improvement, an enhanced profile, a distinctive image and strengthened core values. The JIU made constructive recommendations and suggestions for further changes in a number of areas.

72. The Administrator notes that the findings of the JIU, particularly as expressed in the main body of the report, confirm that the positive impact of actions taken in the area of management and administration have been sustained and built upon. These actions were guided in particular by the far-reaching workflow review undertaken by UNV itself and the follow-up to the management audit carried out by the UNDP Office of Audit and Performance Review in the late 1990s. These will be

further refined in the context of the newly introduced Enterprise Resources Planning system.

73. In line with its commitment to promoting effective organizational learning, the UNV learning team continued to strengthen the skills and knowledge base of UNV staff. The learning programme is designed around a number of annual inputs: the learning objectives outlined by staff in their performance plans; an analysis of priority role requirements in connection with business plans at the unit level; organizational data gathered by an independent staff (climate) survey held late each year, and a full staff retreat and senior staff retreat held at the beginning of each year.

IV. Challenges and opportunities

74. The Administrator believes that for UNDP and UNV, the biennium has reinforced the conviction that UNV must continue to play a key role in maintaining the momentum towards the recognition, facilitation, networking and promotion of volunteering for development at all levels. A much better understanding is emerging of the value-added contribution of UNV to development initiatives through its work encompassing the mobilization of volunteers, newly developing areas such as international advocacy and support to national policy formulation processes.

75. Against this background, opportunities as well as challenges continue to exist. There have been important changes in many countries in the way volunteerism is perceived, particularly with respect to the vital contribution it can make to achieving the MDGs. Considerable scope remains, however, for translating this awareness into concrete policy measures and support. In this connection, many developed countries recognize the critical role of volunteer action in their own societies and extend direct support accordingly. Yet it has been a challenge to gain acceptance by some of those countries of the importance of their concrete support for volunteerism and volunteer action in developing countries. In the view of the Administrator, the level of contributions to the UNV Special Voluntary Fund is a measure of commitment in that regard. The SVF is critical to enabling UNV to play a catalytic role in developing innovative and relevant approaches. Many of those developed in the past have been mainstreamed over the years and have increased the capacity of UNV to respond to the evolving needs of programme countries.

76. A central organizing principle of the work of UNV is to build itself into a highly networked programme drawing strength from strategic relationships and partnerships at all levels. The alignment between the UNDP and UNV policy and programme frameworks is a key factor. As a theme that cuts across all sectors, efforts to include volunteerism in programme country and United Nations system development frameworks and reports such as the common country assessments, Poverty Reduction Strategy Papers, United Nations development assistance frameworks and NHDRs must be intensified. Systematic alliance building with international NGOs, academia and the private sector should also continue to be pursued. The potential to achieve synergies between the advocacy and service sides of the volunteer equation, and the power that such synergies can unleash towards meeting the MDGs, is evident and greater than ever.

Annex I

UNV statistical overview

Assignments and volunteers by region, origin and gender, 2000-2003

UNV assignments Total	2000				2001				2002				2003			
	5 181				5 432				5554				5832			
	International	National	Total	Percentage	International	National	Total	Percentage	International	National	Total	Percentage	International	National	Total	Percentage
Region																
Africa	1 147	429	1 576	30%	1 058	520	1 578	29%	1364	774	2138	38%	1580	814	2394	41%
Asia and the Pacific	1 180	302	1 482	29%	1 658	444	2 102	39%	1335	444	1779	32%	907	522	1429	25%
Arab States	167	119	286	6%	103	157	260	5%	130	182	312	6%	205	182	387	7%
Europe and the Commonwealth of Independent States	966	153	1 119	22%	647	133	780	14%	556	159	715	13%	527	198	725	12%
Latin America and the Caribbean	479	239	718	14%	434	278	712	13%	313	297	610	11%	354	543	897	15%
Total	3 939	1 242	5 181	100%	3 900	1 532	5 432	100%	3698	1586	5554	100%	3573	2259	5832	100%
Percentage	76%	24%	100%		72%	28%	100%		67%	33%	100%		61%	39%	100%	

UNV volunteers Total	4 780		5 090		5234		5635	
Origin								
From industrial countries	1 597	33%	1 743	34%	1595	31%	1602	28%
From developing countries	3 183	67%	3 347	66%	3639	69%	4033	72%
Gender								
Male	3 086	65%	3 207	63%	3300	63%	3577	63%
Female	1 694	35%	1 883	37%	1934	37%	2058	37%

Annex II

UNV resource planning table

Projected resource availability and utilization of resources *

(Millions of dollars)

Resources available	2002-2003			2004-2005		
	Regular resources (SVF)	Other resources	Total resources	Regular resources (SVF)	Other resources	Total resources
Opening balance	24.9	25.7	50.6	24.0	25.5	49.5
Income						
Contributions [a]	9.0	202.9	211.9	10.0	215.0	225.0
Interest, miscellaneous income and pro-forma external costs	4.9	0.6	5.5	5.0	1.0	6.0
Total available	38.8	229.2	268.0	39.0	241.5	280.5
Use of resources						
A. Programme expenditures	14.7	169.1	183.8	16.0	178.0	194.0
B. Net transfers/adjustments	0.0	-	0.0	-	-	-
C. Biennial support budget						
Programme support		24.6	24.6		26.9	26.9
Management and administration		10.0	10.0		11.6	11.6
Total	14.7	203.7	218.4	16.0	216.5	232.5
Closing balance	24.0	25.5	49.5	23.0	25.0	48.0
Commitments for future years						
A. Projects, programme support, Management/administration	18.3	11.6	29.9	18.0	15.0	33.0
B. External costs of serving volunteers	0.7	-	0.7	-	-	-
Total commitments	19.0	11.6	30.6	18.0	15.0	33.0
Closing balance (uncommitted resources)	5.0	14.0	19.0	5.0	10.0	15.0

* Note. As a result of rounding, (sub)totals in this table may differ slightly from the sum of individual components.

[a] Includes under Other resources the UNV biennial support budget, which is part of the UNDP biennial appropriations

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Evaluation

Follow-up on evaluations with regard to PRSPs and MDG reports and addressing the PRSP-MDG linkages*

1. The management response to the evaluation of the role of UNDP in the PRSP process (DP/2003/35) advocated that UNDP should champion equity as an integral component of growth strategies, help link long-term development policies to the causes of poverty and promote a healthy national dialogue by fostering greater policy choice, especially on economic policies.

2. UNDP has launched an array of global and regional programmes to address these objectives. A nine-country Asia-Pacific programme – the Macroeconomics of Poverty Reduction – was initiated in early 2002 with the objective of: (a) translating the concept of 'pro-poor growth' into practical policy recommendations at the country level; (b) fostering greater consistency between economic policies and poverty reduction strategies; and (c) promoting a broader dialogue on policy options. The programme, a joint effort between the Regional Bureau for Asia and the Pacific and the Bureau for Development Policy, has examined the impact of macroeconomic and adjustment policies on growth, inequality and poverty.

3. Similar policy-oriented research and capacity development have been undertaken in Latin America and the Caribbean and in Eastern Europe and the Commonwealth of Independent States (CIS). A similar programme has recently commenced in the Arab States, and another will start soon in Africa. Focused on pro-growth and pro-jobs, such work now has a global scope, particularly concentrated on long-term capacity development.

4. The principal motivation of such programmes is to strengthen national policy autonomy in the formulation and implementation of poverty reduction strategies, particularly the poverty reduction strategy papers (PRSPs). UNDP has been increasingly linking its long-standing support to national ownership, participatory

* The collection of data required to present the Executive Board with the most current information has delayed submission of the present document.

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processes and poverty monitoring for such strategies to the promotion of policy choice and dialogue.

5. Since 1999, UNDP has refocused its work on poverty reduction from a myriad of micro-projects to national policy frameworks. Its contribution now shows a rising concern for policy content, not just policy process, and the assessment of the impact of anti-poverty policies, not just monitoring of poverty trends. Furthermore, it encourages civil society organizations to advance their own policy proposals, not just passively consult on pre-determined strategies.

6. As a result of the regional and national programmes that have focused on the poverty impact of economic policies, UNDP has initiated several new global programmes in 2004, based largely on financing by the Thematic Trust Fund for Poverty Reduction. These include initiatives on pro-poor public investment, the effect on poverty of the privatization of public services and utilities, land reform and poverty reduction, and pro-poor domestic resource mobilization. In addition, UNDP has reached an agreement with the International Labour Organization (ILO) on a global programme on employment and poverty, based on the conviction that jobs form a crucial link between growth and equity.

7. The work increasingly emphasizes the training of *national* policymakers and building *national* institutions to enhance *national* ownership of the poverty agenda, and increasingly stresses the need for mobilizing domestic resources and talent instead of relying excessively on external funds and consultancies. Where national absorptive capacity needs strengthening, special efforts are geared toward capacity building as a major approach to development cooperation.

8. As recommended in the management response, UNDP is also upgrading in-house capacity, for example, through training (illustrated by the recent session for a selection of country-based colleagues on pro-poor fiscal policies) and the consolidation of expertise at the sub-regional level through the new regional centres of policy specialists, based on expertise located in the subregional resource facilities (SURFs) and the regional programmes.

9. The current challenge for UNDP is to help to link the MDGs and the PRSPs by making short-term reforms fit into long-term comprehensive development plans. In 2003, UNDP proposed to the World Bank to operationalize this linkage in a few representative pilot countries; and in 2004 it hopes to collaborate on a joint initiative on poverty and social impact analysis (PSIAs). Although UNDP, along with the United Nations system, focuses on monitoring and reporting on MDG progress, it simultaneously seeks to engage with national policymakers on the national budget and on policy content for achieving the MDG targets. The effort remains riveted to enhancing capacity for national policymaking and planning.

10. In 2003, work on MDG country reporting followed a three-tier approach of: (a) conducting regional workshops for orientation and training on the MDGs; (b) producing country and regional MDG reports for public awareness and advocacy; and (c) enhancing statistical literacy to improve data access and use. The resources from the Millennium Trust Fund support a large number of country and regional reports; improve their quality as non-technical documents that give a disaggregated picture of the MDG status vis-à-vis tailored targets; and create a stronger sense of national ownership. The MDG reports or reviews are meant to help

to influence public debate on pro-poor policy reforms needed for reaching the targets by 2015.

11. Eleven workshops and forums were held in eight subregions on the MDGs in 2003, covering more than 100 countries in Africa, Asia and the Pacific, Latin America and the Caribbean, and Europe an the CIS. They provided a platform for representatives from government, civil society and the country teams to familiarize themselves with the different aspects of the MDGs and to agree on a plan of action for MDG reporting.

12. The main purpose of MDG reporting is to use empirical evidence to highlight agreed priorities, inform the public and policymakers on progress and trigger action to meet time-bound targets. When widely shared and publicized, such data help to build an active constituency for the MDGs within the country and abroad. Some 70 country MDG reports have been issued so far, in addition to five regional reports. All the reports are available on the UNDP web site at www.undp.org/mdg. While the quality of the reports varies, the trend is improving in terms of focus, tailored targets, disaggregated monitoring and national ownership.

13. Steps have been taken to address the seven challenges presented by the assessment team. Closer collaboration between the monitoring and campaign units is helping to address the communication and campaign challenges. The United Nations Development Group (UNDG) Guidance Note on MDG Country Reporting has been revised to address the participation and reporting challenges. The UNDG has also published the Indicators for Monitoring the Millennium Development Goals: Definitions, Rationale, Concepts and Sources to promote a better understanding of the MDG indicators. Country teams are working to bring more civil society organizations (CSOs) in the process. With regard to the statistical challenge, UNDG members are focusing more closely on statistical capacity. In terms of the challenge vis-à-vis global cooperation, a seminar was organized in Bergen, Norway, to assemble senior officials from both donor and developing countries to discuss the issue of mutual accountability. With UNDP support, a common format for developed country reporting on MDG 8 was prepared with the secretariat of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) and a group of bilateral donors. One DAC member, Denmark, has issued its report on MDG 8 and at least seven others are following. The European Union recently decided to prepare a consolidated contribution to the international stocktaking of the MDGs in 2005, particularly focused on MDG 7 on environment and MDG 8 on the global partnership for development.

14. Traditionally, external support for statistics has focused on the supply of data (mostly through surveys and censuses) while generating public demand for reliable and timely data has received little attention. Lack of statistical capacity featured highly in the workshops and reporting exercises. As statistics on human development have improved in recent years – wider coverage, better quality and greater timeliness – the challenge is increasingly shifting from data collection to managing the growing amount of information for public and policy advocacy.

15. At the country level, there are many players involved in the production of information through administrative reporting systems, surveys and censuses. UNDP is helping to improve the management and accessibility of such data. The ultimate challenge is to enhance the statistical literacy of users by increasing the capacity in

government and among key stakeholders. Capacity development for MDG monitoring and basic statistical literacy is an area where UNDP is intensifying its operational support, in close collaboration with relevant United Nations organizations and the World Bank. Its particular focus will be on making MDG-related data more accessible, using disaggregated data by sex, level of education, ethnicity, rural-urban location, region and socio-economic status.

16. The aim is to make data more accessible by setting up a central repository, using DevInfo or any preferred software; and by training stakeholders on MDG indicators and their sources and methods.

17. The link between the PRSP and the MDGs is essentially a challenge of making shorter-term policy frameworks consistent with longer-term goals. The best way of achieving this is by setting intermediate targets at the country level for the next three to five years that are in line with those for 2015. This can only be done through an inclusive debate among key stakeholders. By doing so, the MDGs, as an accountability framework for the current political leadership, will be enhanced. Otherwise long-term targets will not guarantee immediate action because they cannot be achieved under the watch of today's political leadership. They must be broken down into actionable propositions that are achievable within the lifetime of the current government. The PRSP will then become the policy note that accompanies the memorandum on the national budget for the next three years.

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Evaluation

Follow-up on evaluations with regard to PRSPs and MDG reports and addressing the PRSP-MDG linkages

Note by the Executive Board secretariat

Corrigendum

Page 1, before paragraph 1

Insert

The present report comes in response to the request by the Executive Board for further information on the management response to the evaluation of the role of UNDP in the PRSP process (DP/2003/35) and the management response to the assessment of the MDG reports (DP/2004/3). Part one addresses the role of UNDP in the PRSP process, and part two an assessment of MDG reporting.

The role of UNDP in the PRSP process

Page 2, before paragraph 10

Insert

Assessment of MDG reporting

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Technical cooperation among developing countries

Report on the implementation of South-South cooperation*

Introduction

1. The present report has been prepared by the Special Unit for South-South Cooperation to elaborate on the goals of South-South cooperation as requested by the Board at its first regular session in January 2004.[1] It may be worth noting that the Special Unit is in the process of formulating the third cooperation framework for South-South cooperation (2005-2007), for submission to the Board at its second regular session in September 2004. This report is not intended to be exhaustive, but a brief overview designed to elicit ideas and guidance from the Board prior to finalizing the forthcoming cooperation framework. The paper also highlights opportunities for enhancing South-South cooperation based on previous lessons learned and recommendations made to the Special Unit in recent months.

The broad goals of South-South cooperation

2. South-South cooperation involves interaction between two or more developing countries that pursue their individual or collective development goals through cooperative exchanges of knowledge, skills, resources and technical know-how. Support to South-South exchanges by UNDP and the United Nations system in general dates back to the 1970s following the adoption of the Buenos Aires Plan of Action at the United Nations Conference on Technical Cooperation among Developing Countries (TCDC). Many resolutions and decisions have since been

[1] The High-level Committee on the Review of South-South Cooperation decided in its decision 13/1 to change the name of the Special Unit for Technical Cooperation Among Developing Countries to the Special Unit for South-South Cooperation. Likewise, in its resolution 58/220, the General Assembly, endorsing the decision by the High-level Committee, decided to change the name of the committee to the High-level Committee on the Review of South-South Cooperation.

*The collection of data required to present the Executive Board with the most current information has delayed submission of the present document.

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adopted on the subject by the General Assembly, the Economic and Social Council, the High-level Committee on the Review of South-South Cooperation and the Executive Board in, for example, its decisions 2001/2 and 2003/10. They stipulate broad policy goals pursued by UNDP through the cooperation frameworks in order to complement international cooperation for development with a wide range of South-to-South collaborative arrangements. The same resolutions and decisions guide South-South initiatives carried out by Member States and organizations of the United Nations system subject to periodic monitoring by the Special Unit whose findings it reports to intergovernmental governing bodies. The Special Unit prepares biannual reports by the Secretary-General on the state of South-South cooperation for submission to the General Assembly. The Unit also prepares biannual reports by the UNDP Administrator for submission to the High-level Committee.

3. The factors motivating developing contries to seek concerted solutions to their development challenges have varied over time. In recent years, however, emphasis on South-South cooperation has coincided with a recognized need for interdependence among countries of the South as a strategy to harness the opportunities presented by globalization and to minimize attendant risks. A number of countries in the South that have successfully and rapidly reduced poverty, raised life expectancy and increased the rate of economic growth present significant shareable skills, knowledge and experience, constituting another rationale for promoting South-South exchanges. In this context, South-South initiatives are viewed as learning processes that highlight proven development paths in achieving poverty reduction and other Millennium Development Goals.

4. Traditional donors increasingly support South-South initiatives by joining two or more developing countries to form triangular partnerships that place financial, technological and other supportive resources behind programmes conceived, designed and managed by countries of the South. Triangular cooperation also finds expression in donor-sponsored training programmes that utilize institutions and experts in the more advanced developing countries for the benefit of less developed countries.

Lessons learned in promoting South-South cooperation

5. Important lessons on progress and drawbacks in South-South cooperation are discernable in regular reports of the Secretary-General and the Administrator submitted to the General Assembly and the High-level Committee on the Review of South-South Cooperation. Such reports indicate that developing countries are placing renewed emphasis on South-South cooperation in efforts to reduce growing gaps between rich and poor countries. It is envisaged that South-South relations would enable countries not benefiting from globalization to learn winning strategies through exchange of ideas, resources, skills and knowledge with countries that have successfully adjusted to globalization and raised living standards at unprecedented speed in recent years.

6. The considerable increase in the number of engineers, doctors, teachers and other experts in the South enables United Nations organizations and other development actors increasingly to rely on Southern institutions and expertise in their development projects and programmes. A number of vibrant institutions have been

established by developing countries to coordinate South-South initiatives; trends towards economic integration at regional and subregional levels are augmenting opportunities for South-South exchanges. Interregional exchanges are also on the rise although their pace remains slow. The scope of collaborative initiatives is growing to include a wide range of actors as well as public and private sectors.

7. Despite considerable efforts, implementation of action plans agreed on by developing countries remains slower than desired, resulting in only a limited number of programmes contributing to demonstrable socioeconomic transformation. Improved resource allocation, information sharing and mechanisms for policy and programme coordination are among the solutions needed to harness the full potential of South-South cooperation at national, regional and interregional levels. Therefore, measures to overcome obstacles and scale up the volume of exchanges among developing countries are the prime concern of the Special Unit as it formulates the third cooperation framework for South-South cooperation (2005-2007).

Towards the third cooperation framework

8. The critical challenge ahead is to align South-South cooperation to the realities of the 21st century in terms of harnessing the reservoir of intellectual capital and technological advances accumulated by a number of developing countries in recent years. Additionally, various international alliances that have been formed present opportunities for more effective collaborative initiatives in the years ahead. By contrast, South-South cooperation in the past consisted of efforts to share scarce technical know-how among countries short on teachers, doctors, lawyers, engineers and other experts badly needed for development. The lack of varied, diverse trade baskets between countries in the South also hindered substantial flows of South-South trade.

9. Today, there are real prospects for a new phase of South-South cooperation premised on the convergence of Southern solutions embedded in people, technology, alliances and the forces of globalization. The main thrust of the third cooperation framework that UNDP is formulating, therefore, hinges on marshalling South-South efforts towards the overarching objective of meeting the Millennium Development Goals. To this end, the cooperation framework aims to harness: (a) highly qualified individuals with cutting-edge knowledge in science and technolgy; (b) the knowledge assets of countries that have attained high rates of economic growth during the 1990s; (c) the experience gained in poverty reduction; (d) and the achievement of momentous socioeconomic transformation through effective market reforms, the capacity to attract foreign direct investment, increased experience in public and private sector management, and improved know-how in the provision of social services such as education and health.

10. The Special Unit is also looking for ways to spur the emulation of developing countries that have successfully equipped themselves with new information and communications technology, empowering societies to discover ingenious solutions to old problems. It is envisaged that the new approach to South-South cooperation would include on-line collaboration to create knowledge-based jobs, and people-to-people alliances networking to reduce poverty, eradicate deadly diseases and improve living standards in communities across the South.

11. The capacity to adapt new technologies to the pressing development needs in the South is another area of priority being considered for inclusion in future South-South programming. Many shareable experiences exist on using the Internet to provide distance learning, share information on farming techniques, micro-credit management, and many other issues of interest to poor communities in the developing world.

12. A number of developing countries that have acquired the capacity to invent are producing innovations that are fashioned to address problems specific to the South. This opens up another programming area that could beneficially address the so-called "diseases of the poor" such as malaria, tuberculosis, tetanous, elephantitis and other maladies that are prevelent in the tropics. Because many HIV/AIDS patients die from opportunistic diseases such tuberculosis, South-South initiatives to combat the dieseases of the poor would contribute greatly to the Millennium Development Goal of combating HIV/AIDS.

13. Based on its prior experience in organizing Africa-Asia business forums that bring together entrepreneurs from the two regions to work out arrangements for trade and joint ventures, the Special Unit aims to emphasize private sector development further in its future programming. A major component of the third cooperation framework is to focus on supporting the development of small and medium enterprises (SMEs) in the South with the objective of creating jobs, reducing poverty and meeting other internationally agreed development goals, including those in the Millennium Declaration. The programme will also seek to boost flows of South-South trade and other interregional exchanges through collaboration with the African Union and other groupings working towards regional and subregional economic integration.

14. To overcome its resource limitations, the Special Unit has recently sought to forge new and larger coalitions among the more advanced developing countries. Several meetings have been held to consult with countries that play a pivotal role in South-South cooperation in order to seek their views on how to proceed in harnessing the intellectual assets, technologies and coalitions towards more rubust South-South exchanges. At the first such meetings held in Hangzouh, China in November 2003, representatives of pivotal countries requested the Special Unit to facilitate the formation of groups of pivotal countries that together would act as "prime movers" in formulating and implementing joint programmes to share their expertise and technological know-how with less developed countries in area of critical need such as HIV/AIDs, trade and investment, and information and communications technology.

15. At a second meeting held in Marrakech, Morocco, in December 2003, representatives of pivotal countries, including Brazil, China, India, South Africa, Thailand, and many others, reiterated their wish to collaborate in the formulation of strategic programmes to assist other developing countries. The Special Unit was charged with the responsibility of approaching pivotal countries individually, seeking their views on areas where they wish to play a lead role. At recent meetings with officials in India, Thailand, and Malaysia, the three pivotal countries have indicated their willingness to team up with other pivotal countries to share knowledge and experience on issues where they have considerable know-how, such as HIV/AIDS and the development of small and medium enterprises. There are thus plans to hold further meetings with pivotal countries in Africa, the Arab States

region, Asia and the Pacific, and Latin America and the Caribbean at which concrete actions will be discussed.

16. Against this background, it is envisaged that the work of the Special Unit in sharing development solutions embedded in people, technology and alliances is likely to be anchored in activities spearheaded by partnerships consisting of groups of pivotal countries that have shareable, proven policies and practices. It is also hoped that the deliberations of the Executive Board at the present session will contribute to the formulation of the third cooperation framework for South-South cooperation (2005-2007), which will be submitted to the Board at its second regular session in September 2004.

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Internal audit and oversight

Internal audit and oversight*

Report of the Administrator

Summary

The present report is submitted pursuant to the arrangements agreed upon by the Executive Board. The report provides details of internal audit and oversight services provided by the UNDP Office of Audit and Performance Review for the year ended 31 December 2003.

Elements of a decision

The Executive Board may wish to: (a) take note of the report of the Administrator on internal audit and oversight services (DP/2004/27); (b) express support for the continued strengthening and reorganization of the internal audit and oversight resources of the United Nations Development Programme.

* The collection of data required to present the Executive Board with the most current information has delayed submission of the present document.

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Introduction

1. The Administrator is pleased to provide the Executive Board with his annual report on internal audit and oversight services provided by the UNDP Office of Audit and Performance Review (OAPR) for the year ended 31 December 2003.

2. During 2003, OAPR provided internal audit and oversight services to UNDP and to the United Nations Office for Project Services (UNOPS). Chapter II and annex I of the report relate to both organizations. Detailed discussions of the internal audit and oversight activities carried out on behalf of UNOPS are included in separate reports, which are being submitted to the Executive Board at its present session by the Executive Director, UNOPS, in document DP/2004/28.

I. Developments in the UNDP oversight and accountability framework

3. In addition to OAPR, the main organizational instruments of the oversight and accountability framework are the Management Review and Oversight Committee and the Oversight Group. The Office of Legal and Procurement Support (OLPS) also plays a key role with respect to administration of the internal justice system.

4. The status of the internal justice system, the Fraud Prevention Committee and the two main oversight mechanisms in UNDP, the Management Review and Oversight Committee and the Oversight Group, is summarized below.

Improvements in the internal justice system

5. In 2003, a new policy was approved covering disciplinary procedures and setting out the rights and obligations of staff and the administration in the investigation and processing of disciplinary cases. Also in 2003, OAPR prepared a set of investigation guidelines to strengthen the quality of UNDP investigations – specifically to ensure that they are carried out in a manner that is fully consistent with the principles laid down in the policy and to provide technical guidance to investigators on procedures for data collection and documentation of evidence.

Establishment of Fraud Prevention Committee

6. In support of the United Nations initiative and in cooperation with UNFPA and UNOPS, UNDP established a fraud prevention committee in 2002. The committee, chaired by the Director, OAPR, prepared a fraud policy statement, which will be issued by the Administrator in 2004.

Oversight Group

7. In 2000, the Administrator introduced a mechanism, referred to as the Oversight Group, to maximize and coordinate the distinctive oversight roles of the Operations Support Group (OSG) and the Evaluation Office with the role of OAPR. The three units comprising this group continue to coordinate their work to strengthen links between the various oversight tools. A key output of the group, since 2001, has been an analysis of country office performance, drawing on the results of oversight activities in each of the three units. This analysis is intended to supplement the Balanced Scorecard, the UNDP corporate tool for tracking key indicators of performance, which is also used in the performance assessment of senior managers.

8. In early 2004, the Administrator decided to reorganize the Oversight Group to ensure that issues arising from oversight activities receive prompt attention at the senior management level. Accordingly, the two oversight units – Evaluation Office and OAPR – will meet on a monthly basis with the Associate Administrator, the Director, OSG, and other key units as appropriate to report on key issues and lessons learned, and discuss recommendations for follow-up. In addition, the Associate Administrator recently requested OAPR to maintain a list of significant issues arising from audits, and to draft guidance notes addressing these issues for periodic presentation to the Executive Team and dissemination to country offices.

Management Review and Oversight Committee

9. The Management Review and Oversight Committee (MROC) has been established to assure the Administrator that the UNDP accountability framework is operating effectively. Chaired by the Associate Administrator, the membership includes the Under-Secretary-General, Office of Internal Oversight Services, the Assistant Administrator and Director, Bureau of Management, the Director, Office of Legal and Procurement Support, the Director, Office of Finance and Administration, the heads of the Oversight Group, and representatives of the regional bureaux. The Committee last met in November 2002 to review the results of the OAPR repositioning exercise. It did not meet in 2003 because OAPR was fully occupied with implementing the results of the repositioning exercise.

10. In 2003, the Board of Auditors carried out a review of the Office of Audit and Performance Review and made recommendations to bring MROC more closely in line with international best practices for an audit committee function. The Administrator agrees with Board recommendations and will revise the terms of reference and membership of the MROC in 2004.

II. OAPR resources

11. OAPR continues to operate in a decentralized manner, with some sections located at headquarters and others in the field. The field presence consists of three regional audit service centres and two sub-offices. A third sub-office, in the Arab States region, will be opened in 2004.

12. The results of the OAPR repositioning exercise has had significant implications for the structure of OAPR and the numbers of posts. As at 31 December 2003, OAPR had 49 authorized posts, an increase of five over the previous year. Annex I contains details of the resources and staffing activities during the year. (Refer to paragraphs 14 to 18 for more information about the repositioning exercise.)

13. Overall, the level of resources is essentially unchanged from that of the previous year.

III. OAPR initiatives to improve effectiveness and client service

New approach to audit and repositioning exercise

14. In early 2002, OAPR proposed significant revisions to its country office audit approach. Some aspects were implemented immediately and others were piloted. (Of the 42 audits conducted in 2002, eight piloted all aspects of the new approach.) In late 2002, OAPR assessed the results of the pilots and determined that while, on balance, the feedback was positive, concern nevertheless remained that the scope of the country offices audits needed to be better defined and the profile of some OAPR audit staff did not fit appropriately with the requirements of the new approach.

15. Accordingly, in late 2002 OAPR initiated a repositioning exercise to address these concerns and to ensure that, moving forward, OAPR possessed the necessary mandate, organization, and resources to maximize its value added to UNDP. The key outcomes of this exercise were described in the report for 2002 (DP/2003/21).

16. In early 2003, key recommendations – such as the elimination of Control Self Assessment workshops and discontinuing the use of public accounting firms to perform internal audits of country offices – were implemented. Also, changes were made to the OAPR organization structure to achieve the other key recommendations – strengthening investigation, quality assurance, and information and communications technology (ICT) functions, and enhancing the multidisciplinary character of audit teams. These structural changes and the internal OAPR job fair resulted in 29 posts becoming vacant during the year. Excluding the UNOPS audit section, a total of 16 posts were advertised for external recruitment in 2003 and another 13 in early 2004. (Refer to annex 1 for additional information.)

17. In mid-2003, a revised scope was introduced that reduced the number of audit areas from 15 (the number used for piloting the new approach) to 12, including country-level programme; office management; knowledge-sharing; partnerships and resource mobilization; support to United Nations coordination; advisory and advocacy services; development services; human resources administration; procurement; financial resources; general administration; and information technology and communications. The overall objective of the country office audits is to assess the extent to which resources are acquired and utilized with due regard to economy and efficiency, and whether management has put in place mechanisms to monitor and assess accurately whether programmes are meeting planned objectives.

18. An important recommendation of the repositioning team, not yet implemented, is the addition of a corporate risk assessment function. This recommendation is

consistent with the recent recommendations of the Board of Auditors that UNDP complete a comprehensive risk assessment exercise and establish a risk committee.

19. The repositioning team also recommended that OAPR continue to provide advisory services, such as facilitating workshops and advising on the implementation of changes to operating practices and procedures. To provide a proper framework for the provision of advisory services, OAPR has taken steps to ensure that its advisory services are consistent with the relevant standards as promulgated by the Institute of Internal Auditors. For example, proposed advisory engagements must be approved by the Director, OAPR, based on the engagement's potential to improve management or risks, add value, and improve the organization's operations.

IV. National execution audit strategy

20. In 2003, OAPR continued to reinforce measures initiated in 2002, such as standardizing the terms of reference for the audits, and providing offices with guidance on assessing audit firms. Overall, the quality and consistency of the national audit exercise has been greatly improved over the past four years. OAPR diligently monitors and follows up on the progress of the audit exercise – providing country offices with regular feedback on positive areas and areas for improvement. The one area that OAPR needs to continue to work on is the timeliness of the feedback. Owing to the large volumes of projects reviewed (1 660 in 2003) and difficulties in finding qualified staff, this continues to be a challenge.

21. In 2003 and continuing into 2004, OAPR is participating in the broader simplification and harmonization initiative to ensure that the four organizations – UNDP, UNFPA, WFP and UNICEF – take a consistent approach, which will also be in line with similar initiatives of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD).

V. Coordination with United Nations system oversight offices

22. OAPR coordinates its activities with members of the larger United Nations oversight system, including the Board of Auditor, the Joint Inspection Unit (JIU), the Office of Internal Audit and Oversight Services (OIOS), and the internal audit offices of United Nations organizations. Ongoing activities include the coordination of audit activities with the Board of Auditors and OIOS, and cooperation with OIOS on investigative activities. Furthermore, OAPR participates in the annual meetings of representatives of internal audit offices of United Nations organizations and multilateral financial institutions. The most recent meeting took place in June 2003.

23. In 2003, examples of cooperation include consultations with OIOS on the audit of projects in northern Iraq. Also, on an ad hoc basis, auditors meet to discuss topics of common interest. For example, ICT auditors within OAPR, OIOS, and the UNICEF internal audit office recently met to share experiences and discuss approaches in using electronic working papers.

VI. Internal audit and related services

A. General

24. Overall, the level of internal audit and related services outputs were significantly lower from that of previous years. The number of UNDP audits/reviews issued in 2003 was 18 whereas in 2002 it was 56. Assessments of national execution of audit reports was relatively unchanged – 1 660 in 2003 compared to 1 662 in 2002. Table 1 summarizes OAPR output for 2003.

Table 1. Internal audit and oversight services provided in 2003

	In process as of 01/01/03	Projects initiated	Reports issued	In process as of 31/12/03
UNDP – Management reviews and advisory services	-	-	-	-
UNDP – Internal audits/reviews of functions/HQ units	2	-	2	-
UNDP – Internal audits/reviews of projects	-	2	1	1
UNDP – Internal audits/reviews of country offices	7	13	15	5
Subtotal: UNDP audits/review	*9*	*15*	*18*	*6*
UNDP – Assessment of national execution audit reports	-	1 660	1 660	-
UNOPS – Internal audits/reviews	3	21	21	3
Investigation cases	12	8	13	7

25. There are two main reasons for the decline in the number of UNDP audits/reviews. The first is that a large number of posts were vacant during the year as a result of the OAPR repositioning exercise and management's focus on recruiting outstanding candidates to fill the vacant positions. The second is that, effective 2003, OAPR no longer routinely contracts out internal audits of country offices. In 2002, public accounting firms conducted almost all audits of offices in the Arab States and Asia and the Pacific regions. While the contracted audits helped to increase the frequency of audit coverage, the disadvantage was that auditors performed them with little knowledge of UNDP. The cost of the audits had also increased dramatically in recent years. So while OAPR no longer routinely contracts out internal audits, OAPR will continue to contract with public accounting firms on a selective basis – such as when OAPR does not have the necessary expertise or to address short-term increases in demand for audit services.

B. Advisory services and management reviews

26. Key advisory services undertaken in 2003 included ongoing participation in the United Nations simplification and harmonization initiative and advising the UNDP ICT Decision Group.

27. With respect to the simplification and harmonization initiative, OAPR assisted in the preparation of guidelines for resource transfer modalities, including tools to assess the financial management capacity of implementing partners and common terms of reference for project audits where the projects are managed by national partners.

28. In early 2004, OAPR initiated a management review of internal controls in the UNDP Enterprise Resource Planning (ERP) software, which UNDP refers to as Atlas. This review is a high priority for UNDP because the implementation of Atlas, effective 1 January 2004, represents a major overhaul in UNDP business processes – from country offices to headquarters units. This review is in progress at the time of writing.

C. Internal audits of functions and headquarters units

29. Reports issued in 2003 included a procurement audit at UNDP headquarters and an audit of UNIFEM.

30. The objective of the procurement audit was twofold, to: (a) critically assess the UNDP procurement framework; and (b) examine procurement undertaken by headquarters units. The UNDP procurement framework consists of UNDP Financial Regulations and Rules, the Staff Rules and Regulations, administrative circulars, the Finance Manual, and the Procurement Manual.

31. A key finding was the need for the Bureau of Management (BOM) to strengthen its monitoring of procurement activity through the establishment of a database of cases reviewed by the Advisory Committee on Procurement and by developing new reports to help it to monitor procurement activity throughout UNDP. Other key observations were that: (a) resident representatives should stop signing contracts on behalf of governments, as this leads to confusion as to which organization, the government or UNDP, is legally responsible for the contract; and (b) there is ongoing confusion as to whether procurement contracts, when conducted in accordance with multi-lateral development bank rules, also need to be submitted to the UNDP Advisory Committee on Procurement. In 2004, BOM will provide clarification to country offices. A key first step was a regional workshop on procurement issues, organized by BOM in March 2004.

32. The audit of UNIFEM assessed the effectiveness and efficiency of UNIFEM operations focusing on organization, financial control, personnel and administration, as well as the underlying financial transactions for the period under review. The review was limited to headquarters operations and covered both UNIFEM core and non-core resources for which the Administrator is accountable.

33. A key area of focus for the audit was UNIFEM management of programme resources, as this area was weak in 1994 when the previous audit took place. While resource management continues to be a challenge owing to the lack of an integrated system, overall UNIFEM is adequately managing resources. Although some instances of overspending on individual trust funds were noted, almost all deficits were satisfactorily resolved by the end of the audit. Fortunately, with the implementation of the new ERP in 2004, for the first time UNIFEM will have both

budget and expenditure data in a single system, and the time and effort spent on managing resources should decrease significantly.

34. In addition, significant problems were noted in the management of human resources, including a lack of transparency in the selection of some staff members and inconsistency between UNIFEM internal staffing records and the UNDP corporate staffing records in the integrated management information system (IMIS). Most problems in the recruitment area stemmed from confusion over UNIFEM authority on human resources and its rapid growth in recent years. To solve this and other problems, the audit recommended that UNDP and UNIFEM urgently prepare a new framework to reflect better the evolution of the structures and activities of both organizations. A key aspect of this new framework is that the UNDP role as service provider should be clearly de-linked from its oversight role.

35. OAPR will work closely with UNIFEM in 2004 to ensure that the recommendations are implemented. A key action already underway is the preparation of the draft framework, which will help to clarify the roles and responsibilities for oversight.

D. Internal audits and reviews of UNDP projects

36. OAPR undertakes project audits only on an exceptional basis. In general, where UNDP directly executes projects, OAPR practice is to audit project expenditures as part of its broader audit of the office's activities. However, where project expenditures are significant or other risk factors exist, OAPR carries out special project audits, either directly or through public accounting firms. In 2003, one audit report was issued covering a UNDP-executed project in the Philippines.

37. The Philippines project was unusual in that it was a pilot for implementation of the United Nations Development Group Office Guidance Note on Joint Programming. In agreement with the country team, UNDP was appointed the Administrative Agent for the management of donor funds and provider of support services for project implementation. The scope of the audit was limited to disbursements made by UNDP through the Programme Support Coordination Team (PSCT) for the components directly executed by UNDP for the period 1 January 2002 to 30 June 2003. The major activities undertaken at the ground level pertained to relief assistance for emergency situations; capacity building on governance for peace and development communities and local institutions; provision of technical services on reproductive health, vocational training and sustainable agriculture; and conferences, workshops and advocacy activities related to peace-building.

38. This was a complex project to administer. While the auditors concluded that the expenditures were fairly stated, concern was expressed about the lack of clear operating guidelines, inadequate monitoring of project activities, and some instances of poor follow-up of cash advances to project personnel. In addition, spreadsheets were used to record project transactions, rather than a proper accounting software package. All recommendations were agreed to and some were partially implemented at the time of reporting.

39. Though not a 2003 output, a liquidation audit of the projects located in northern Iraq (referred to as the Electricity Network Rehabilitation Programme) was carried

out in December 2003. The audit was done by a public accounting firm under contract with OAPR. The audit report was issued in 2004; the key findings will be included in the internal audit report for 2004.

E. Internal audits and reviews of country offices

40. During 2003, OAPR issued a total of 15 internal audit reports of country offices. The audit reports include 346 recommendations, of which virtually all were accepted by management and are in the process of being implemented. As noted above, this is a significant decline from last year when 44 internal audit reports were issued (29 full scope and 15 limited scope). In 2002, the limited scope audits were conducted by a public accounting firm contracted by OAPR.

41. OAPR assessed the each office's performance according to a three-point rating system. (See annex II for the definitions of the new standard audit ratings and the new definition of performance.) Table 2 shows the breakdown by region and by overall rating of the 15 internal audit reports issued in 2003.

Table 2. Internal audit reports issued in 2003, by region and rating

Region	Satisfactory	Partially satisfactory	Deficient	Total
Africa	–	3	2	5
Arab States	–	1	–	1
Asia and the Pacific	1	–	–	1
Europe and the CIS	1	2	–	3
Latin America and the Caribbean	4	1	–	5
Total	6	7	2	15

42. In addition to the overall rating for each office, OAPR rates 12 audit areas. The goal of the audit area ratings is to help management to identify areas requiring immediate attention easily. For example, one of the offices audited in 2003 had an overall rating of partially satisfactory but had significant problems in its administration of human resources. The individual ratings also help OAPR to analyse audit findings across country offices – identifying common problems that require corporate attention.

43. Of the two offices rated deficient, one had significant weaknesses in almost all areas assessed. OAPR will conduct a follow-up audit in 2004 to ensure that satisfactory progress is being made to address the weaknesses. For the other office, the weaknesses were primarily in the areas of project monitoring and monitoring of financial resources. OAPR noted that the new management of the office had already made significant improvements at the time of the audit and most of the recommendations had been implemented.

44. Some countries operating in difficult circumstances need extra help in meeting challenges. For these offices, the Bureau of Management is providing support through an internal management consulting service. The management consulting team consists of a full-time coordinator and a team of part-time consultants located throughout UNDP. The overall goal of the team is to help offices to solve operational problems.

45. Many of the issues identified in the country office audit reports are similar to those identified in prior years. Key actions UNDP is taking to address the root causes of the problems include: (a) implementing Atlas; (b) increasing awareness of internal controls; and (c) conducting a comprehensive review of UNDP policies and procedures.

46. While the Bureau of Management is taking the lead in each of these three areas, its main focus in 2003 was on the first area – implementation of Atlas. As reported last year, UNDP adopted a 'fast track' strategy to Atlas implementation, requiring a heavy commitment of energy and resources. For 2004, now that wave one of Atlas has been implemented, the Bureau will focus more attention on the comprehensive review of UNDP policies and procedures, including increasing awareness in how Atlas supports the UNDP internal control framework. As resources permit, OAPR will provide advisory services to the Bureau in this regard.

47. Once fully implemented, Atlas will improve internal control in three respects. First, it will introduce system-driven controls over UNDP business processes. Second, it will enhance the ability of OAPR and other headquarters units to monitor country office operations and hold managers accountable for poor performance. Third, the accompanying re-engineering of business processes is expected to contribute to a simplification of UNDP policies and procedures, which will facilitate compliance. Throughout 2004 these benefits will start to be realized.

48. As described last year, OAPR is taking measures to help raise awareness of internal controls. Owing to a shortage of resources, however, OAPR has not yet begun to offer short workshops on internal controls. The OAPR goal is to introduce a brief workshop at the start of every audit to help offices to identify internal control issues and awareness of risk.

Summary of findings in human resources, procurement, programme, general administration and office automation

49. Generally, country office audits found that human resources were appropriately managed. In some offices there continued to be minor problems with the administration of special service agreements and service contracts, including lack of competitive recruitment and payments without evaluation of performance. To some extent these problems will be addressed through a comprehensive revision of the policy framework for contracting individuals and through training in the implementation of this new framework. The Office of Human Resources is responsible for drafting this new framework, and work is underway. Owing to the complexity of issues and the need to coordinate decisions with the rest of the United Nations system, the comprehensive policy is not likely to be finalized until 2005. Those components that do not require coordination with the rest of the United Nations system, however, will be completed in 2004.

50. As noted in last year's report, Atlas will help to address many of the recurring audit observations in the areas of human resources administration and procurement (also known as supply chain management). These recurring problems include the absence of complete, accurate data on personnel and procurement contracts and errors in national staff payroll.

51. In 2003, OAPR noted that most of the offices audited still had not fully implemented the concepts of committing officers and verifying officers, which were introduced by UNDP in 2000. As noted last year, many offices fail to delegate authority for entering into contracts properly, including vendor contracts, special service agreements, service contracts, and activities of limited duration contracts. Rather than trying to design an interim solution, however, UNDP is focusing on revising the internal control framework in light of the implementation of Atlas – to make sure there is consistency between the segregation of duties and approval levels in Atlas and the overall internal control framework.

52. For the most part, audits found that country offices conduct competitive procurement processes. However, isolated problems were noted in some offices concerning procurement under $30 000 and improper approval of waivers for procurement under $100 000. To some extent, these problems have been addressed through the introduction of a new committee in early 2003, referred to as the Contracts, Asset and Procurement Committee (CAP). All country offices audited in 2003 had implemented the new committee, whose main advantage is that it strengthens controls over the entire supply chain – from procurement to disposal.

53. Procurement remains a high-risk area for UNDP as a result of the potential for fraud and misuse of UNDP resources. While audits conducted in 2003 did not reveal any serious problems, OAPR completed three investigations relating to alleged procurement fraud. One investigation was particularly serious and is briefly described in paragraph 71. To address these risks better, selected audit staff will receive additional training in procurement so that they are better able to identify indicators of fraud. OAPR will also utilize the procurement data now available in Atlas to conduct ongoing analyses of procurement activity. Finally, OAPR will work closely with a firm contracted by a regional bureau to undertake assessments of procurement capacity of country offices in the Latin America and Caribbean region.

54. With respect to office automation, recurring issues included back-ups not kept off site; untested or lack of disaster-recovery plans; and unsecured access to server rooms. While these observations pose risks, in general there was no impact on country office operations in 2003.

Administration of UNDP executed projects

55. OAPR continues to note isolated problems with the administration of directly executed projects. The problems are the most acute in offices that operate in difficult circumstances – such as the absence of a reliable banking system. In the view of OAPR, these problems should be addressed through better corporate guidance and by improving the competencies of the administrative officers.

Problems arising from increased reliance on non-core resources

56. UNDP has evolved from a core to a multi-funded organization. In the report for 2002, OAPR noted some of the key transitional issues and actions underway to address them.

57. Cost recovery of non-core activities, while still an issue, has improved. In 2003, UNDP approved two new cost recovery policies – one relating to programme resources and the other to services provided to the United Nations system – that provide for an adequate recovery of the cost of non-core activities. With respect to the new policy on programme resources, while some donors are resisting the new cost-recovery fees mandated by the new policy, UNDP believes the policy is a sound basis for ensuring that core resources do not subsidise non-core resources. The new policy on services provided to the United Nations system stipulates universal prices for services provided by UNDP. Initially, the prices apply only to services provided to United Nations organisations but may, in the future, be extended to services provided to UNDP projects. The Bureau of Management will review the price on a periodic basis to ensure that it continues to reflect the actual cost of the service.

58. The implementation of Atlas will further improve UNDP cost recovery efforts by systematizing the recording and collection of fees. Atlas will automatically make the calculations to generate invoices and will record the related receivables.

59. Pressure to accept special donor conditions continues to be a problem for UNDP, resulting in increased transaction costs. Many donors try to impose their own oversight regime on UNDP rather than rely on the UNDP oversight regime as described in the UNDP Financial Regulations and Rules and the UNDP Programming Manual. In most cases, UNDP has successfully convinced donors to rely on its own oversight regime but there have been exceptions. UNDP welcomes requests from donors to explain its oversight regime and, if appropriate, will make changes to address donor concerns.

Unclear accountability where UNDP enters into contracts on behalf of others

60. UNDP country offices routinely provide a variety of services to United Nations organizations, such as recruitment, procurement, contract administration and banking services. While in some cases UNDP has entered into memorandums of understanding with the organizations outlining UNDP responsibility and accountability, in many cases a current memorandum does not exist. While thus far OAPR is not aware of any cases where UNDP has been held liable for the improper performance of these services, there remains a concern that these services, particularly those related to procurement and recruitment, create an 'accountability gap' where neither organization is clearly accountable for the services. OAPR discussed this issue with BOM in February 2004 and BOM agreed to follow up. Most issues relate to the contracting of individuals, and will therefore be addressed by BOM as part of its broader review of the policy framework for contracting individuals.

F. Follow-up of audit recommendations

61. In 2000, OAPR introduced a web-based tool, referred to as the Comprehensive Audit and Recommendation Database System (CARDS), to facilitate the tracking and monitoring of audit reports and recommendations. OAPR requires that all offices use CARDS to report on the implementation status of recommendations systematically. OAPR verifies these self-assessments, as a matter of course, during the subsequent audit of the office. For those offices where serious deficiencies are noted, OAPR verifies that key recommendations were implemented within a reasonable period of time, either through a follow-up audit or a desk review of supporting documentation.

62. In 2003, OAPR continued to strengthen its follow-up of audit recommendations. All country office audited in 2002 and 2003 are using CARDS to record the implementation status of recommendations.

63. For two country offices that were assessed as deficient in 2002, OAPR conducted a follow-up audit to verify the implementation status of the audit recommendations. In both cases, OAPR found that offices were making satisfactory progress in implementing recommendations.

G. Analysis of audit reports for national execution projects

64. During 2003, OAPR received and reviewed 1 660 project audit reports of national and non-governmental organization (NGO) expenditures for 2002. The audit exercise was assessed for 120 country offices, and letters, summarizing the assessment, were sent to resident representatives and copied to the regional bureaux, the Operations Support Group, and the Comptrollers Office. (In 2002, OAPR received and reviewed 1 662 project audit reports and assessed 118 country offices.)

65. OAPR assessed the audit exercise according to six criteria and assigned ratings of either satisfactory, partially satisfactory, or deficient for each criteria. The ratings were aggregated to determine an overall score. Of the 120 offices evaluated, only four were assessed as deficient, generally because the audit reports were significantly late or because the office failed to submit an action plan for following up the audit findings of the previous year. This is an improvement over the prior year when nine offices were assessed as deficient. The total expenditure of the four deficient offices was approximately $10.3 million (out of total expenditure of approximately $1.7 billion).

66. Based on its review of project audit reports, OAPR summarized the significant audit findings by project and by country office. The results were communicated to the country offices and the regional bureaux for information and follow-up. The majority of the audit findings concerned lack of competitive recruitment and procurement, poor record keeping, inadequate documentation, and non-compliance with mandatory requirements.

67. In one country, auditors highlighted findings that OAPR considers particularly serious. The auditors noted irregularities in the disbursement of funds amounting to $53 480 as well as forged signatures on documents related to these activities. At the

time of writing, OAPR was following up with the country office concerned to ensure that proper follow-up action would be taken.

H. Investigation cases

68. The OAPR Investigation Section is the main unit within UNDP tasked to carry out investigations into alleged misconduct and loss of property. Nevertheless, other units may carry out investigations where the circumstances are straight forward and do not require specialized investigative techniques. All investigations carried out by OAPR are referred to OLPS for consideration of disciplinary measures and for next steps in recovering the loss, if any. Paragraphs 69 to 71 refer only to investigations undertaken by OAPR.

69. There were 12 cases in progress at the beginning of the year, 11 of which were closed during 2003. An additional eight cases were opened during the year. These cases are summarized below:

- 1 allegation of unauthorized use and sale of UNDP country office Internet bandwidth. A preliminary investigation concluded that the allegations were false;
- 2 cases concerned the abuse of authority by senior officers and misconduct;
- 3 cases involved various types of fraud or attempted fraud;
- 1 cases involved visa fraud; and
- 1 case related to procurement or contracting irregularities.

70. Of the eight cases described above, two were closed during the year. One was referred to the Office of Legal and Procurement Support for consideration of disciplinary action, and the other was closed because a preliminary investigation concluded that the allegations were false.

71. Of the 11 cases brought forward from 2002 that were closed during the year, the most serious concerned a fraud committed by a UNDP staff member. OAPR estimates that the staff member diverted approximately $100 000 of UNDP resources to his own benefit by requiring NGOs to pay kickbacks in return for their continued participation in a micro-finance project. The staff member was summarily dismissed following the investigation.

Annex I. OAPR: Organization and resources in 2003

72. While the level of resources available to OAPR in 2003 is largely unchanged from 2002, the organization underwent significant changes during the year as a result of the repositioning exercise. A breakdown of the authorized posts, by section, is provided in the table below.

Table 1. Authorized posts as of 1 January 2004

	Total	Director	Chiefs	Auditors	Support
Office of the Director	5	1		1	3
Internal Audit Section	11	–	1	8	2
Investigation Section	5	–	1	3	1
Audit Centre – Malaysia	8	–	1	6	1
Audit Centre – Panama	5	–	1	3	1
Audit Centre – South Africa	8	–	1	6	1
Subtotal	42	1	5	27	9
UNOPS Audit Section	7	–	1	5	1
Total	49	1	6	32	10

73. Nine posts were vacant at the beginning of the year (three in the Internal Audit Section and one in the Malaysia regional audit centre, and five in the South Africa regional audit centre). Early in 2003 an additional seven posts became vacant as a result of the OAPR repositioning exercise and job fair.

74. Finding the best possible candidates to fill these vacant posts was the priority of OAPR throughout much of 2003. Of the 16 posts that were vacant in early 2003, seven were filled by the end of the year. Of the remaining nine vacant posts, candidates had either started or had been identified by 31 March 2004.

75. As reported last year, a key outcome of the repositioning exercise was the decision to create 13 new audit posts (six programme specialists, one quality assurance, six national officers) using resources previously used to pay for contracted internal audits of country offices. In its decision 2003/22 of 12 September 2003, the Executive Board approved the new audit posts. While all of these posts were vacant at the end of the year, intensive recruitment was underway as of 31 March 2004. Pending completion of the recruitment of the new posts, three individuals on activities of limited duration contracts continued to provide audit services to OAPR during the year.

76. In addition to the above, the Director's post became vacant near the end of the year and recruitment efforts are underway.

77. With respect to UNOPS, the post of Chief, became vacant with the retirement of the incumbent in August 2002 and remained vacant at the end of 2003. The functions are being performed by a staff member in the UNOPS section on an ad interim basis. In addition, two audit specialist posts were vacant at the end of the year. One vacancy resulted from the resignation of the incumbent during 2003 and was filled in April 2004. The other post was frozen in the second half of 2001 and remains so.

Annex II. Definitions of standard audit opinion ratings used by OAPR

Definition of performance

78. Within the operational audit context, performance refers to the economy, efficiency, and effectiveness of operations under management's control. Operational audits assess the extent to which resources are acquired and utilized with due regard to economy and efficiency, and whether management has put in place mechanisms to monitor accurately and assess whether programmes are meeting planned objectives. Operational audits do not report on the achievement of results.

79. Performance also refers to the manner is which activities are conducted – i.e., whether they are conducted in accordance with UNDP values. UNDP values encompass the notions of prudence and probity, as well as the necessity of taking acceptable risks.

Rating	Definition
Satisfactory	In general, controls were in place to ensure that operations were economic, efficient and effective; and that activities were conducted with due regard to UNDP values. Any weaknesses identified were not significant enough to compromise the overall performance and control environment. The range of corrective actions required by management is moderate.
Partially satisfactory	The majority of key controls were applied. However, some significant control weaknesses were identified. Timely corrective action by management would be required to correct these weaknesses.
Deficient	Control weaknesses identified were widespread or were significant enough to have a negative impact on performance. Management needs to take immediate corrective action to improve the control environment.

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Internal audit and oversight

UNOPS: Report of the UNDP Office of Audit and Performance Review to the UNOPS Executive Director on internal audit services in 2003*

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* The collection of data required to present the Executive Board with the most current information has delayed submission of the present document.

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I. Introduction

1. The internal audit of the United Nations Office for Project Services (UNOPS) operations is being carried out by the Project Services Audit Section (PSAS) of the Office of Audit and Performance Review (OAPR) pursuant to a memorandum of understanding between UNOPS and UNDP/OAPR effective 1 January 1997 and in accordance with UNDP Financial Rule 103.02 applicable, *mutatis mutandis*, to the internal audit of UNOPS operations.

2. PSAS has seven authorized posts – for a chief, five audit specialists and an audit assistant – four of which were encumbered and three vacant as at 31 December 2003. The encumbered posts occupied by three audit specialists (one of whom is designated Chief, a.i.) and one audit assistant. The vacant posts are those of the chief (as of the retirement of the incumbent in August 2002, since when the post has not been filled upon the request of UNOPS) and two audit specialists (one of which will be filled while the other one has remained 'frozen' since the middle of 2001).

3. In April 2003, PSAS was relocated from the UNDP premises occupied by OAPR in the DC-1 building to the UNOPS premises in the Chrysler building.

II. Implementation of the annual audit plan

4. In line with the approved annual audit plan for 2003 and requests from UNOPS management during the reporting year, OAPR initiated and conducted a total of 21 internal audits covering operational activities at headquarters and in the field, including those under management and other support services arrangements (MSAs), as shown in the table below.

Internal audits provided in 2003, by type of audit

Type of audit	In process 01/01/03	Audit initiated	Final report issued	In process 31/12/2003
Management or functional audit of project or group of projects	2	6	7	1
Management audit of headquarters or field organizational unit, functional audit of functions in headquarters or field unit and informatics audit	1	5	5	1
Special audit	-	1	1	-
Financial statement audit (MSA)	-	9	8	1
Total	3	21	21	3

5. OAPR has been using a system of standard audit opinions in assessing internal control of activities being audited using three categories: satisfactory, partially satisfactory and deficient. For the 21 final reports (of which 18 are on audits that were started and finalized in 2003 and three are on those that had continued into 2003 from 2002), the overall audit opinions are as follows:

- Satisfactory – three reports
- Partially satisfactory – eight reports
- Deficient – one report

- No rating – one report on a special audit and the reports on the financial statement audits of certain MSA project activities; these fall outside the system of standard audit opinions.

6. Brief accounts of the main results of audits initiated and carried out in 2003 and on which, in each case, either a final audit report was issued or a draft report submitted to UNOPS for comments prior to finalization, are presented in the next three sections of this report. Summaries of the three audits in process at the beginning of 2003 were included in the internal audit report for the year 2002 (DP/2003/21) as presented to the Executive Board at its annual session 2003.

III. Management or functional audit of project or group of projects

7. OAPR considers the overall level of internal control to be satisfactory with respect to the audit of a cluster of projects in Kosovo and to be partially satisfactory with respect to the other three project audits, namely, TAJ/95/002, PNG/98/002 and the cluster of projects implemented in Afghanistan by the division for Western Asia, the Arab States and Europe.

8. Nonetheless, some improvements in operational activities have been identified in areas such as the following: (a) For the audit of a cluster of projects in Kosovo, the main recommendation is the need for senior management to review the organizational structure in Kosovo in order to assure that clients perceive UNOPS as an integrated, client-focused operation rather than as separate units competing against each other; (b) for TAJ/95/002, the need to prepare a revised budget reflecting the present funding realities in addition to the objectives and scope of work, as outlined in the revised draft project document; (c) for PNG/98/002, the areas of budget revision and expenditure control need to be closely monitored considering the absence of adequate funding necessary to support planned activities; and (d) for the cluster of projects in Afghanistan, an annual administrative budget for the UNOPS implementation facility unit should be established on the basis of need, in order to monitor and control the overall administrative cost of running the facility; recommendations were also made in the areas of commitments prior to receipt of donor funds, advances recoverable locally, and procurement of services and goods.

9. For PNG/01/005 and RAF/98/G31 (based on the draft report as at 31 December 2003), the overall level of internal control in the financial management is considered to be deficient. In the case of PNG/01/005, the significant weaknesses pertain to budget revisions (where cost-sharing contributions have not been reflected on a timely basis), the operations of a bank account (lack of authorization and reconciliations) and financial reporting (lack of adequate documentation and reports at the project site level). In the case of RAF/98/G31, significant weaknesses pertain to the lack of clear and reliable expenditure reports from the project offices in two programme countries and the lack of satisfactory arrangement for the disbursement of funds at the project level.

IV. Management audit of headquarters or field organizational unit, audit of functions in headquarters or field unit and informatics audit

10. OAPR considers the overall level of internal control to be satisfactory with respect to the functional audits of the International Fund for Agricultural Development (IFAD) loan administration activities, the financial authorization procedures, and the global report emanating from the financial statement audits of MSA project activities (draft report as at 31 December 2003). The overall level of internal control is considered to be partially satisfactory with respect to the management audit of the Kosovo procurement unit and the review of information technology policies. In addition to these audits PSAS participated as an observer in the Enterprise Resource Planning meetings within UNOPS during the first half of the year.

11. While there are no major areas of concern relating to the above management or functional audits, improvements have been recommended, such as in the following areas: (a) For the IFAD loan administration activities, the loan administration unit should shift its focus towards liaison with the client, oversight of UNOPS services to IFAD, monitoring of loan status, central record keeping, development and standardisation of UNOPS internal policies and procedures, and training and provision of ad hoc advice to UNOPS staff in loan administration; (b) for the Kosovo procurement unit under the management of the Copenhagen Office, a main recommendation has been made regarding the contract for procurement services with the United Nations Interim Mission in Kosovo, namely, to ensure that any future contracts of a similar nature contain clauses to cover the cost of operations created to implement the related activities, protect against the arbitrary cancellation of the agreement, and provide for the reimbursement of the cost of procurement work performed that is later cancelled by contracting entity; and (c) for the review of information technology policies, recommendations have been made in respect of the need to establish written policies on of firewall and router administration, as well as the need to designate an information security officer.

V. Special audit of accounts receivable

12. A special audit of the accounts receivable relating to the Heantos project was carried out at the request of UNOPS management and the Management Coordinating Committee.

13. It was noted that the decision to continue the Heantos activity despite the absence of a continuing agreement and the lack of sufficient funds represented a serious management override of key internal controls provided for in UNOPS financial regulations 5.4 and 5.5. Based on a review of pertinent records, the management decision to continue the Heantos activity was made at the level of the former Executive Director, although there was no indication that the former Executive Director gained financially from that action. It was also evident that the project coordinator was carrying out activities in support of matters unrelated to the Heantos activity. Finally, it was determined that the intent of UNOPS to make a provision for doubtful account in respect of the Heantos accounts receivable of

$557,196 was reasonable given the uncertainty concerning the recoverability of the costs incurred.

VI. Financial statement audit of MSA project activities

14. As in previous years, OAPR conducted financial statement audits of MSA activities implemented by UNOPS under letters of agreement between the borrowing governments and UNDP with respect to activities financed from World Bank loans. In 2003, audits were undertaken for five MSA activities, with total expenditure of $8.5 million in 2002.

15. Financial statement audits were also carried-out for: (a) two MSA project activities financed with World Bank loans, one in Cambodia (total expenditure of $397 thousand in 2001-2002) and the other in Afghanistan (total expenditure of $966 thousand in 2002), as required under the agreements between the respective governments and UNOPS, and (b) an MSA project activity (total expenditure of $393 thousand in 2002), financed by the Japan Bank for International Cooperation, in the Islamic Republic of Pakistan, pursuant to agreement between the Government and UNDP.

16. In all the financial statement audits carried out in 2003, the opinion was expressed that the "financial statements present fairly the financial position [...] as at 31 December 2002 and the results for the financial period then ended. The transactions were in accordance with the relevant legislative authority in all material respects".

VII. Audit recommendations

17. The audit reports issued in 2003 contained 149 recommendations. Of these, 48 were in the area of finance, 35 in administration (which included contracts and procurement), 25 in programme, 23 in organization and structure, 10 in the area of policy, six in personnel and two in office automation. It should be noted that because of the special nature and purpose of the reports on the audit of the government-funded MSAs financed by the World Bank and other institutions, those eight reports do not contain recommendations.

18. Based on an arrangement between UNOPS and OAPR, the UNOPS organizational units concerned provided written comments on the contents of the draft audit reports, including an account of actions taken or contemplated to implement the recommendations contained in the reports. As in 2002, the timeliness in the provision by UNOPS action units of those comments continued to be over the time limit of a three-week period, attributable mainly to the changing organizational structure and reduction in the staffing capacity during the reporting year.

19. UNOPS provided its comments on the 146 recommendations. There was only one instance where UNOPS did not agree with a recommendation: in the audit of projects implemented in Kosovo, the UNOPS Copenhagen Office disagreed with the recommendation to consider establishing service standards to help the client understand the timeframes involved in the execution of procurement operations. In general, the comments indicated that actions had been taken or were being taken to address the audit issues and recommendations. In the case of the special audit of the

accounts receivable relating to Heantos activities, the final audit report does not contain management comments relating to the issues raised, or on the three recommendations made, because of the nature of the assignment.

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UNITED NATIONS POPULATION FUND

THE UNDP AND UNFPA PROGRAMMING PROCESS: PROGRESS IN IMPLEMENTING DECISION 2001/11

Report of the Administrator and the Executive Director

I. BACKGROUND

1. This report is submitted to the Executive Board in response to its decision 2001/11 of 22 June 2001, on the UNDP/UNFPA programming process.

2. During the joint meeting of the Executive Boards of UNDP/UNFPA, the United Nations Children's Fund (UNICEF) and the United Nations World Food Programme (WFP) held on 6 June 2003, UNDP and UNFPA, together with UNICEF and WFP, reported to the Executive Board, in response to paragraph 8 of decision 2001/11, on common tools to monitor progress and evaluate outcomes/results of country programmes, in order to further harmonize and standardize the programming process. During the joint meeting, the four organizations explained their approach to monitoring and evaluating the outcomes and outputs of their individual country programmes, agreeing to focus future monitoring and evaluation activities around the United Nations Development Assistance Framework (UNDAF) results matrix.

3. Decision 2001/11 was adopted on the basis of a report (DP/2001/12 - DP/FPA/2001/7) submitted to the UNDP/UNFPA Executive Board at its annual session 2001. That report, in turn, had been submitted to the Board in response to its decision 2000/12 of 16 June 2000, which requested UNFPA to propose to the other members of the United Nations Development Group

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(UNDG), the establishment of a working group to develop a common programme approval process, and to report to the Executive Board at its annual session 2001 on progress and future options in the programming process.

4. In report DP/2001/12 - DP/FPA/2001/7, UNDP and UNFPA proposed that the Executive Board approve a programming option whereby UNDP and UNFPA would submit draft country programme outlines to the UNDP/UNFPA Executive Board for discussion, prior to finalizing the programme documents. The Board would then approve the programme and the proposed resource allocation and would authorize the Administrator of UNDP and the Executive Director of UNFPA to finalize the country programmes, taking into account the comments made by the Board.

5. In decision 2001/11, the Executive Board modified this two-step approval process as follows: (a) draft country programme outlines would be presented to the Executive Board for discussion at their annual sessions, and where applicable, the common country assessment (CCA) and the UNDAF would be made available for information; (b) the Executive Board would review the draft country programme outlines, after which the Administrator of UNDP and the Executive Director of UNFPA would assist Governments in finalizing the country programmes, taking into account comments made by the Board; and (c) the country programmes would be posted by October of the last year of the country programme on the web sites of the respective UNDG partners and would be approved in January on a no-objection basis without presentation or discussion, unless at least five members had informed the secretariat in writing before the meeting of their wish to bring a particular country programme before the Executive Board.

6. In paragraph 11 of decision 2001/11, the Executive Board requested the Administrator and the Executive Director to report to the Executive Board at its annual session 2004 on progress in implementing decision 2001/11. This report is in response to that request.

II. FIRST STEP: A HARMONIZED FORMAT

7. Following the adoption of decision 2001/11, UNDP and UNFPA, with the participation of UNICEF and WFP, convened a small working group to develop a harmonized format for country programme outlines and country programme documents. UNDP and UNFPA agreed on a harmonized format, and in November 2001, the Administrator of UNDP and the Executive Director of UNFPA co-signed a letter to all UNDP Resident Representatives and UNFPA Representatives, attaching the new format. The Executive Boards of UNICEF and WFP adopted a similar process in 2002.

8. The harmonized format aimed to formulate country programme outlines that were brief, concise and focused. The narrative portion of the outline was limited to four to five pages. UNDP Resident Representatives and UNFPA Representatives were urged to ensure that country

programmes focused on achieving concrete results and had clearly defined strategies. To facilitate this, a results and resources framework was required for each country programme outline. The results and resources framework indicates the outcomes and outputs the programmes are expected to achieve and the resources needed to achieve them.

9. Since 2002, all country programme outlines presented by UNDP and UNFPA to the Executive Board for review and approval have followed the harmonized format. To date, UNDP has presented, and the Executive Board has approved, 44 country (or multi-country) programmes under the harmonized programme approval process and the harmonized format. Similarly, UNFPA has presented, and the Executive Board has approved, 38 such programmes under the harmonized programme approval process and the harmonized format.

10. The country offices that employed the new format found it to be very user-friendly and helpful in developing more concise, focused and strategic country programmes. At the same time, it was recognized that harmonizing the programme approval process alone would not in itself lead to increase collaboration and coordination among the UNDG Executive Committee agencies in developing their individual programmes. Other elements in the programming process, such as ongoing efforts to improve the quality of CCAs and UNDAFs, needed to be considered. During the initial stages of the harmonized programme approval process, the link between UNDAF objectives and individual programme outputs was not always clear. In addition, linking resources to specific outputs in the results and resources framework required further development.

III. FURTHER HARMONIZATION OF PROGRAMMING PROCEDURES

11. Decision 2001/11 on the harmonized approval process proved to be one of the driving forces for increased United Nations reform initiatives. In December 2001, the United Nations General Assembly adopted resolution 56/201, calling upon the funds, programmes and the specialized agencies of the United Nations system to examine ways to further simplify their rules and procedures and to accord high priority to the issue of simplification and harmonization. The organizations were requested to take concrete steps in the following areas: (a) decentralization and delegation of authority; (b) financial regulations; (c) procedures for implementing programmes and projects and, in particular, requirements in terms of monitoring and reporting; (d) common shared services at country offices; and (e) recruitment, training and remuneration of national project personnel.

12. With the development and introduction of simplified and harmonized tools that emerged from the simplification and harmonization process, new terminology was also introduced. Terms such as *draft country outlines* and *country programmes*, which were introduced in decision 2001/11, were replaced by *country programme document (CPD)*. Draft versions of the CPDs are presented to the Executive Board during its annual session for discussion and review; the

Executive Board then approves the final version of the CPDs at the first regular session of the subsequent year.

13. With the introduction of the UNDAF results matrix in 2003, the CPD results and resource framework also required adjustment, in order to align it with the UNDAF results matrix. The introduction of the UNDAF results matrix facilitates the linkages between the goals, outcomes and outputs of country programmes and the UNDAF outcomes. As a result, CCAs and UNDAFs are driving country programming processes more and more. At the same time, the CCAs and UNDAFs are themselves being driven by and integrated into national development planning processes.

14. Did the harmonized formulation and approval process lead to increased collaboration and coordination among UNDG Executive Committee agencies in developing their individual programmes? Certainly in the CCA/UNDAF rollout countries, collaboration has markedly improved among United Nations agencies, in particular among the UNDG Executive Committee agencies during the development of their respective country programmes.

15. From the responses received from country offices about the new process, staff seem pleased with the decision to have a more focused document which links resources and outputs to UNDAF outcomes, thereby anchoring the UNDP and UNFPA country programmes directly to UNDAF objectives and national priorities. Country office staff also seem pleased to have a document that links resources to outputs, and one that makes the CCA and UNDAF key steps in the process. Many staff also feel that the harmonized approval process provides better opportunities for synergies with partner agencies of the United Nations. The 2003 revised CCA and UNDAF guidelines and the UNDAF results matrix are expected to further facilitate the transition from UNDAF to country programmes.

16. Country office staff members have, however, expressed the concern that, with the introduction of the two-step approval process, the timeframe for developing country programmes has increased. Since the CCA and UNDAF are now mandatory steps in the country programming process, the process now takes approximately 18-24 months, between the initial analysis and the commencement of a new country programme. There is a general concern that the time lag of almost two years between the CCA situation analysis and the implementation of the country programme could affect the relevance of country programmes, as country situations may have changed in the interim period, warranting a revision of the analysis and an adjustment in the thrust of the programme. UNDP and UNFPA will work with their partners in the UNDG to address this concern.

17. A second concern is that the current process may not be flexible enough. This refers to having to submit draft country programme documents to the annual session of the Executive Board in June and the approval of such programmes at the first regular session the following January. At a time when United Nations agencies as well as multilateral and bilateral donors are

encouraged to align their programmes as much as possible to national planning processes, the Executive Board may wish to consider the possibility of reviewing and approving country programme documents during any of the three sessions in a given year.

IV. RECOMMENDATION

18. **The Executive Board may wish to take note of the present report (DP/2004/29 - DP/FPA/2004/7).**